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STATE OF MONTANA
DEPARTMENT OF HIGHWAYS
REPORT ON OPERATION OF
THE STATE MOTOR VEHICLE POOL

June 1973



OFFICE OF THE LEGISLATIVE AUDITOR
STATE OF MONTANA
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DEPARTMENT OF HIGHWAYS
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THE STATE MOTOR VEHICLE POOL

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APPOINTIVE AND ADMINISTRATIVE OFFICIALS

HIGHWAY COMMISSION

Mr. George Vucanovich, Chairman	Helena	2/1/75
Mr. William M. Kessner, Vice-Chairman	Great Falls	1/3/77
Mr. G. R. Cooney	Butte	1/3/77
Mr. Pierre L. Bacheller	Billings	1/3/77
Mr. Jay Lalonde	Sidney	2/1/75

DEPARTMENT OF HIGHWAYS

Mr. H. J. Anderson, Director of Highways

Mr. Don DeVore (Retired 5/1/73), Administrator, Motor Pool Division

Mr. William A. Blake, Administrator, Motor Pool Division

SUMMARY OF RECOMMENDATIONS

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Seek legislation to enable basically single agency use vehicles to be distributed to agencies based on justified need.	18
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STATE OF MONTANA
Office of the Legislative Auditor
STATE CAPITOL
HELENA, MONTANA 59601

The Legislative Audit Committee
of the Montana State Legislature:

We have examined the operation of the Montana State Motor Vehicle Pool administered by the Department of Highways for the purpose of evaluating the management of the motor pool in terms of providing economical service to user agencies. Our examination considered fiscal year 1971-72 and 1972-73 activities and was directed toward the operational aspects of the motor pool. We did not examine into the adequacy of financial reporting; however those aspects were covered in the audit of the Department of Highways by Newland, Horn and Taylor, C.P.A.'s, transmitted to the Committee on December 15, 1972.

The results of our examination were obtained primarily through interview of responsible officials and examination of records in the Department of Highways. In addition, we contacted various other Montana state agencies to obtain their views and other states to obtain data describing their motor pool operations.

We submit the following comments and recommendations concerning the operation and organization of the Montana State Motor Vehicle Pool.

SUMMARY OF FINDINGS AND RECOMMENDATIONS

Our examination of the motor pool showed that the cost of operating motor pool vehicles and the resultant rental rates charged the using state agencies are unnecessarily high. The high rental rates have contributed considerably to agency dissatisfaction with the motor pool. The high costs and resultant dissatisfaction can be partially attributed to each of the following: (1) Inclusion of vehicle classes and motor pool locations with related inconvenience without any significant pooling need or benefit; (2) low utilization caused primarily by excessive consideration toward availability of vehicles rather than maximizing economy with reasonable service; (3) excessive routine maintenance and inefficient repair of mechanical failures on passenger vehicles; (4) continued use of older equipment because financing was insufficient to enable replacement; and (5) operation of the motor pool within a department whose primary mission overrides the purpose of the motor pool.

The Department of Highways, as required by law, has included vehicle classes which were primarily single-agency, special-purpose equipment which did not generate any substantial use by other than the agencies which had ownership prior to formation of the motor pool. In addition, the department established motor pool locations outside Helena which were either isolated to the point where pooling was not feasible or vehicle need by agencies from other than the pool proximity was so limited that there was no economy to be realized by establishing the pool. The limited need at these locations is further substantiated by the prevalent permanent assignment of vehicles which effectively returns the vehicles to single-agency use and nullifies any substantial pooling benefit. We found that most pool facilities are inconvenient to the users and that in the instance of Helena, the delivery service used to alleviate the inconvenience was time-consuming and costly

to the user agencies.

Vehicle rental rates are excessively high because the motor pool has been operated under a concept of maximizing vehicle availability without giving due consideration to economy through optimum utilization. Normally the pooling of equipment will result in a reduction of the quantity of vehicles because idle periods under restrictive ownership can meet the needs of others; however, the Montana motor pool increased the quantity of vehicles, and reduced the potential pooling benefits by permanently assigning a large percentage of vehicles back to the agencies that had prior ownership. In addition, state employees were permitted to drive personal cars while motor pool vehicles were available. Higher utilization of vehicles results in a lower cost per mile of operation by spreading fixed costs over a greater number of miles. The motor pool concept of maximum service has resulted in an average daily utilization of only 55 percent of available passenger vehicles and higher costs per mile.

Motor pool policy for accomplishment of routine maintenance or servicing, such as oil changes, filter changes, and car washes on passenger vehicles, has been excessive in comparison to the manufacturer's recommended service or the condition of the vehicle. In a random sampling of repair jobs performed on passenger equipment, the records show that the Department of Highways' mechanics required about twice as much time to accomplish mechanical repairs as prescribed by commercial garages' flat rate books. Such practices have increased the maintenance cost of vehicles substantially and resulted in higher rental rates to user agencies.

Costs were increased because financing was not sufficient to enable replacement of equipment driven beyond its economic useful life. Much of the equipment transferred to the motor pool to provide the vehicle support was either near or over mileages indicating disposal because of potential mechanical failure and increased maintenance costs. It is generally recognized that maintenance costs of motor vehicles will rise sharply after being

driven 60,000 to 75,000 miles. Replacement financing had to be generated by charging state agencies depreciation allowances on fully depreciated equipment. A high maintenance cost in conjunction with depreciation causes excessively high rental rates.

The motor pool is operated within a department whose primary and overriding mission relates to the highway program rather than providing economical service to other agencies. It appears that the motor pool has been structured to primarily meet the Department of Highway maintenance requirements for special use equipment and such structuring has caused a significantly higher cost resulting from overhead allocation from facilities specifically placed and staffed to satisfy the highway maintenance mission. We found that most other states placed the motor pool within service-oriented agencies comparable to the Montana Department of Administration.

The Montana statewide motor pool should be reorganized to effect a high utilization and economical rate for user agencies. By effective implementation of the changes we are recommending in this report, the cost per mile of operation for passenger cars can be lowered from 11.8 cents to about 8 cents per mile driven. Such a reduction in cost of operating motor pool vehicles should result because of (1) the effect of increased utilization on fixed costs such as depreciation, overhead, and insurance, (2) elimination of the pool locations at the 11 highway maintenance centers with related 2.35 cent per mile overhead, (3) accomplishment of oil and oil filter changes per manufacturers' recommendations, and washing vehicles only when necessary, (4) location of the Helena motor pool near the capitol complex, and (5) timely replacement of fully depreciated equipment. The South Dakota and New Mexico motor pools, which are characteristic of the structure we are recommending, are achieving a cost per mile of 8 cents and less.

Accordingly, we are recommending complete revision of the motor pool under a concept of greater emphasis on economic utilization while providing reasonable availability and service. Under this concept we propose consideration of transferring management to the Department of Administration, limiting vehicle support to passenger cars, station wagons, and a limited number of half-ton pickups located within walking distance of the state offices in the capitol complex. This encompasses deletion from the pool of all vehicles in the broad classification of single-agency-use type, deletion of motor pools at 11 highway maintenance centers outside Helena, and relocating the present Helena pool. We are recommending that unneeded vehicles be distributed to various state agencies based on demonstrated need.

While we recognize that corrections necessary for an economical motor pool can be accomplished by the Department of Highways, we are recommending that consideration be given to transfer the responsibility for the motor pool to the State Department of Administration. Our reasons for transfer are that the service-oriented mission of the Department of Administration is more aligned with that of the motor pool, that such similarity would permit the motor pool to function on its own merit rather than be subject to overriding purposes of another mission, and because consideration of other recommendations diminishes the initial advantages of the Department of Highways to a pool operation.

The above considerations will eliminate motor pool services at 11 other locations presently served. On those occasions where vehicle support of any class is necessary at those locations, arrangements can be made for use on a cost reimbursable basis from state agencies owning the needed equipment, or provision made to rent commercially. To achieve high utilization of motor pool vehicles we are recommending legislation which will discourage payment of personal car mileage when motor pool vehicles are available. In addition,

we are recommending that the motor pool management set a rental rate to distinguish between fixed charges and variable charges to encourage higher use and penalize those agencies which insist on permanent assignment of vehicles without substantial mileage requirements. In conjunction with permanent assignment, we are recommending establishing a mileage standard to justify restrictive use of vehicles.

GENERAL

The state motor vehicle pool is administered by the Department of Highways. The motor pool was first authorized by the Legislative Assembly to be effective July 1, 1969 (Chapter 181, Laws of 1969). This enabling legislation placed the responsibility for the operation and maintenance of the motor pool with the Montana State Highway Commission and required inclusion of all motor vehicles owned or leased by the state at locations where five or more vehicles or three or more state agencies are located. This law further provided for reimbursement of all actual costs associated with this service to the Highway Commission by the individual state agencies involved. Finally, the law provided that all rules and regulations promulgated for the motor pool operation would be the same as those followed by the Highway Commission.

During the first year, the Highway Commission directed a study to determine the needs and make recommendations for operation of a motor pool. This study was completed in 1969-70. As of July 1, 1970, the Highway Commission, the Water Resources Board, and Board of Land Commissioners transferred a total of 71 passenger vehicles to the motor pool. Utilization during 1970-71, of the existing motor pool was limited to these three agencies plus the Governor's Office and the Department of Administration.

During 1971, the Legislature repealed the 1969 act and enacted Chapter 320, Laws of 1971. The changes, effective July 1, 1971, continued the State Highway Commission as custodian of most motor vehicles owned or operated by the state. In addition, the commission was delegated specific power and authority to formulate and enforce rules and regulations governing the operation of all motor vehicles used in the service of the state. Reimbursement for costs of the motor pool was similar to previous provisions. The new legislation required the keeping of mileage records, vehicle expenses, and other records by the State Highway Commission.

The Executive Reorganization Act of 1971, Sections 82A-701 through 708, R.C.M. 1947, provided for the transfer of state vehicle administration to the newly created Department of Highways, which became effective December 16, 1971.

Under the stronger provisions of the new motor pool legislation, state agencies transferred their vehicles, including heavy trucks, to the Highway Department early in 1971-72. Four state agencies--the Department of Fish and Game, Department of Social and Rehabilitation Services, Department of Labor and Industry-Employment Security Division, and the Office of Superintendent of Public Instruction--have not transferred their 300+ vehicles because of the expressed concern that such action would jeopardize their federal grants. In addition to these, other agencies specifically excluded by statute from participation in the motor pool were the offices of the Governor, Attorney General, and the Highway Patrol.

The following tabulation summarizes the number of vehicles acquired, disposed of, and in the pool fleet as of June 30, 1972:

	<u>1970-71</u>	<u>1971-72</u>
<u>Beginning Inventory</u>	<u>--</u>	<u>99</u>
<u>Acquisitions</u>		
Transfers from State Agencies	71	1,714
Purchases	<u>28</u>	<u>292</u>
Total	<u>99</u>	<u>2,006</u>
<u>Dispositions</u>		
Traded in	--	26
Sold	--	124
Junked and Wrecked	<u>--</u>	<u>4</u>
Total	<u>--</u>	<u>154</u>
<u>Ending Inventory</u>	<u>99</u>	<u>1,951</u>

The Department of Highways organized the Motor Pool Division, headquartered in Helena, to administer the requirements of the act. Current organization charts for the department and division appear on Appendices I and II on pages 45 and 46 respectively.

Consistent with provisions of the act, and to provide statewide service, motor pools were established in Helena and at 11 highway field maintenance centers located throughout the state which exist primarily for the state highway maintenance program. A map showing these locations is presented on Appendix III on page 47. Currently the Motor Pool Division has 19 employees, all located in Helena, and classified as follows:

Administrator	1
Bureau Chiefs	3
Clerks	4
Mechanics	4
Servicemen	<u>7</u>
Total Employees	<u>19</u>

Employees working on motor pool vehicles at the field maintenance centers outside of Helena are budgeted for through other divisions and are reimbursed by the Motor Pool Division based on direct and indirect labor charges assessed to the Motor Pool Division.

Working capital for the motor pool was provided by the establishment of a revolving fund account into which transfers were made from the highway account in the Earmarked Revenue Fund. Authorizations for these transfers were made by appropriations of \$250,000 and \$500,000 for the 1969-71 and 1971-73 bienniums respectively. Continuing operation and replacement of vehicles is financed by charging rental rates to user agencies equivalent to the actual operating costs and depreciation. The rental rate for passenger vehicles was set at 9 cents for 1970-71, and 8.6 cents per mile for 1971-72. The 1971-72 rate was adjusted in October 1972, to 11.8 cents per mile and

charged retroactively for the preceding year because recorded costs of operation were not being recovered. This adjusted rate has remained in effect during 1972-73.

Revenue from rental earnings during 1970-71 totaled \$117,748, while expenditures were \$213,045. Accrued revenue for mileage driven in 1971-72 was \$3,460,956, including the retroactive charge of \$441,000. Expenditures for that year matched the accrued earnings. Total mileage of motor pool vehicles for 1970-71 was 1,261,997 and for 1971-72 was 22,858,328. An analysis of these miles by vehicle class appears on page 12.

The Motor Pool Division has experienced considerable difficulty collecting many billings, primarily because of questions over a charge factor for depreciation included in the rental rates (e.g., 3.5 cents for passenger cars). Some agencies contended that a charge for depreciation is not encompassed within the meaning of actual costs, as provided for in the statute, and that the division is merely custodian of the vehicles and acquires no title to the vehicles transferred from other agencies. Accordingly, they concluded that the division had no right to charge for the replacement of the vehicles. The Department of Highways initiated a suit against the State Department of Agriculture, one of the complaining agencies, to clarify the matter. The district court held in April 1973, that title did in fact pass to the Department of Highways and that the charge to enable replacement is proper. Since the court decision, the Department of Highways has written a collection letter to follow up on past due accounts and, at the same time, requested a response from agencies not planning payment. There were only two responses indicating payment delays.

COMPOSITION OF MOTOR POOL FLEET

The Department of Highways has included 32 vehicle classes in the motor pool to comply with the statutory provision that all state motor vehicles be included. Only two classes (passenger cars and station wagons) can generally be categorized as multi-agency use. There is also enough use of 1/2-ton pickups by agencies not having these vehicles permanently assigned to justify having some of these vehicles in the pool. The remaining 29 classes are special purpose in nature and are not in common use by agencies other than those which had access and ownership prior to formation of the motor pool. The limited use of these 29 classes of vehicles by other agencies indicates that there is little pooling benefit or need for their inclusion in the pool. Their inclusion has created extensive paper work effort and data processing costs which serve no useful purpose and a substantial financing problem for replacement of worn-out equipment. In addition, their inclusion has contributed to a high overhead maintenance cost allocation to the motor pool operation that has been passed on to the user agencies.

The motor pool has permanently assigned a high percentage of motor pool vehicles back to agencies. This practice has resulted in permanent assignment of all or substantially all of the vehicles in 22 classes and thus virtually eliminated the effect of pooling these classes of vehicles. The schedule shown on the following page illustrates the limited use by agencies other than those with permanently assigned cars.

Class	Number of Vehicles			1971-72 Miles Driven	Mileage By Agencies Not Transferring Vehicles
	Transferred	Permanently Assigned	Net Pooled		
Passenger Cars	327	267	60	5,578,039	114,331
Station Wagons	119	102	17	1,782,661	34,855
Station Wagons, 4W/D	19	14	5	179,114	18,946
Suburban	273	225	48	2,504,202	9,518
Suburban, 4W/D	19	17	3	167,445	640
Special	10	11	(1)	46,032	-0-
Pickup, 1/2-ton	300	298	2	3,657,984	84,454
Pickup, 3/4-ton	42	39	3	377,070	17,481
Pickup, Flatbed, 1-ton	19	20	(1)	57,420	4,400
Pickup, 3/4-ton, 6 pass.	12	12	--	108,269	-0-
Panel, 1/2-ton	45	37	8	263,392	6,717
Panel, 3/4-ton, 1-ton	9	11	(2)	137,762	9,746
Pickup, 1/2-ton, 4W/D	7	7	--	43,117	251
Pickup, 3/4-ton, 4W/D	7	7	--	47,125	-0-
Pickup, 3/4-ton, 6 pass., 4W/D	6	5	1	23,226	-0-
Pickup, Flatbed, 1-ton, 4W/D	8	11	(3)	18,604	1,262
Dump Truck	5	5	--	10,719	10,243
Dump Truck	100	75	25	1,013,587	574
Dump Truck	316	337	(20)	5,515,188	5,155
Truck	6	5	1	9,784	-0-
Truck	26	27	1	152,153	-0-
Trucks, Various (11 classes)	138	161	7	1,162,935	-0-
Total	1,813	1,666	153	22,858,328	318,573

As shown by the above data, use of these classes was generally limited to those agencies which had ownership prior to formation of the motor pool. This limited use can be further illustrated by the information on Appendix IV starting on Page 48, which shows that for several of the motor pool locations only a limited number of the passenger type vehicles were not permanently assigned to agencies in the proximity. For example, only 4 of the 79 passenger type vehicles at the Butte motor pool center were not permanently assigned. The permanent assignment of these vehicles virtually precludes use of them by other agencies and thus nullifies a basic purpose of the motor pool. As an example of the problem, the distance the various agencies are from the Butte motor pool center precludes the economic servicing of the permanently assigned vehicles. Many of the conditions, such as exist with the Butte motor pool are characteristic of most of the field locations.

Use of motor pool vehicles entails a considerable amount of paper work on each vehicle and vehicle class and eventual billing of the user charges. Inclusion of special purpose vehicles in the pool adds significantly to this workload. In addition, the motor pool was assessed over \$50,000 in 1971-72 for data processing services, of which the majority was for these single-agency use vehicle classes.

A substantial financing problem exists for replacement of the single-agency use vehicles. This situation developed because a large number of the vehicles originally transferred to the motor pool had high mileage and were due to be replaced within a short time after their transfer. The working capital advance provided the motor pool was not sufficient to cover replacement costs of all the various vehicle classes (especially high cost special purpose trucks). The user billing rates include a replacement factor, but this was computed as though the vehicles were new upon receipt. As a result, the pool has a substantial deficiency for replacement of these special use vehicles. Replacement of these vehicles is clearly the responsibility of the

motor pool, however, the motor pool revolving fund account balance and anticipated revenue is not sufficient to meet this need.

The Motor Pool Division has set mileage criteria to indicate when vehicle replacement is necessary. This mileage is established at a point where it is believed the vehicles are no longer economical to operate because of the increased probability of major mechanical failures. The replacement mileage points are 75,000 for passenger cars to one-ton trucks, 100,000 for lighter weight dump and other trucks, and 200,000 for heavy trucks. These established criteria appear reasonable in that they are consistent with that established in other states.

The following table shows the estimated replacement financing needs for the single-agency use vehicles by class, as of December 31, 1972.

<u>Vehicle Type</u>	<u>Replacement Criteria</u>	<u>Vehicles Over Criteria</u>	<u>Replacement Financing Needed</u>
Station Wagons, 4W/D	75,000	2	\$ 7,840
Suburban	75,000	65	221,000
Suburban, 4W/D	75,000	2	7,840
Pickup, 1/2-ton	75,000	118	295,000
Pickup, 3/4-ton	75,000	6	16,080
Pickup, Flatbed, 1-ton	75,000	1	2,980
Pickup, 6 pass., 3/4-ton	75,000	3	9,180
Panel, 1/2-ton	75,000	8	23,200
Panel, 3/4-ton	75,000	1	3,100
Pickup, 6 pass., 4W/D	75,000	3	10,260
Dump Truck	100,000	33	180,840
Dump Truck	100,000	81	633,420
Truck	100,000	5	22,800
Truck	100,000	5	35,500
Dump Truck	100,000	<u>3</u>	<u>28,560</u>
Total		<u>336</u>	<u>\$1,497,600</u>

The Motor Pool Division has accepted bids for replacement of 169 of these vehicles for \$827,273, but no resources currently exist to fulfill the remaining need. In addition to these vehicles already over the replacement criteria, we found 57 vehicles at December 31, 1972, that were within 5,000 miles of the criteria. In order to replace these vehicles on a timely basis, additional replacement financing of about \$234,000 will be needed within a few months.

Recognition of the seriousness of the inadequate financing was expressed by the Director of Highways on January 25, 1973, in responding to an audit report, by the following comment:

"Inadequate funding of the Pool has had serious effects on the Maintenance Division of the Department of Highways. Because of the inability of the Pool to replace trucks used for maintenance, a serious gap in equipment availability may occur. Such an event would reduce the level of service now provided.

"The writer is currently examining with legal counsel the possibility of lending the Pool earmarked Highway Funds for the purpose of replacing Motor Pool trucks which are used exclusively by the Department of Highways."

Considering the limited need for these vehicles by more than one agency, and the isolation of user agencies, no significant pooling benefit can be realized for special purpose vehicles. To the contrary, higher cost and other problems have resulted. Extensive paper work and data processing costs have been incurred without apparent usefulness because of the lack of pooling benefit. The replacement financing need for special purpose single-agency use equipment is more appropriately a problem of the using agencies. Most other states which we contacted limit motor pool vehicle classes to passenger type vehicles with some provision for pickups. We believe Montana's motor pool should consist of a similar type fleet.

To establish a state motor pool consisting of multi-agency use vehicles will require an equitable distribution of the existing special purpose vehicles currently in the pool. For the most part, this distribution will involve a return of these vehicles to the agencies that transferred them into the pool. However, determination of an equitable method of distribution should be built around demonstrated need for the vehicles to insure their most beneficial use.

It does not appear that the return of these vehicles will cause any substantial additional maintenance workload for the majority of the user agencies as much of the maintenance is presently being accomplished on a reimbursable basis. There are currently 16 user agencies outside of Helena performing maintenance at cost plus 13 percent for labor and 10 percent for

materials. Other than the Highway Department which has its own maintenance facilities, relatively few special purpose vehicles were transferred to the motor pool from Helena based agencies. Prior to the formation of the motor pool, most Helena based agencies owning vehicles had the vehicles serviced by commercial facilities. Upon the return of the special purpose vehicles, the vehicles could be maintained as before or by the Department of Highways, whichever proves to be the most economical.

The assessment of a surcharge or overhead on the cost of labor and material by user agencies for work performed in their shops is effectively the third overhead charge against these vehicles. The table on page 23 shows two additional separate overhead charges for motor pool administration and the 12 highway maintenance facilities. It is obvious that agencies which perform their own maintenance on permanently assigned vehicles receive little benefit from either the motor pool headquarters or the highway maintenance centers. However, the agencies must pay for such overhead through the user charges.

The utilization table presented earlier in this section shows that an occasional need for special purpose equipment will arise by agencies with insufficient need to justify ownership. To ascertain whether these needs could be satisfied without a motor pool, we contacted various state agencies situated near the 11 field maintenance centers and in all instances we were advised that agency-owned vehicles could be provided on a cost reimbursable basis subject to availability. These needs can be coordinated with agencies owning special purpose equipment and arrangements made for use on a cost reimbursable basis.

RECOMMENDATION

We recommend that legislation be sought to enable:

- 1. The motor pool to be restructured to include only those vehicles which generate substantial pooling benefit where multi-agency use will be prevalent.*
- 2. Basically single agency use vehicles to be distributed to agencies based on justified need.*
- 3. Use of special purpose equipment, dependent upon availability, on a cost reimbursable basis.*

MOTOR POOL LOCATIONS

The location of the various motor pool facilities throughout the state are inconvenient to traveling state employees and are a major contributing factor to substantially higher costs than initially anticipated for the motor pool operation. This inconvenience and additional cost has caused considerable dissatisfaction among the majority of user agencies. This dissatisfaction is illustrated by the responses we received to a questionnaire we circulated among state agency heads. These responses are tabulated in Appendix VI, on Page 65.

During 1970-71, the first year of the motor pool operation, there were 71 passenger-type vehicles transferred for pooling purposes. These vehicles were situated at the Department of Highways Maintenance Center in Helena. Following the 1971 legislation, additional vehicles and classes were transferred from the majority of state agencies to the Department of Highways generally making up the present motor pool. Facilities were expanded to 12 locations across the state with passenger type vehicle assignment as of June 30, 1972, as follows:

<u>Motor Pool Facility</u>	<u>Passenger Cars and Station Wagons</u>		
	<u>Unassigned</u>	<u>Assigned</u>	<u>Total</u>
Helena	57	110	167
Missoula	38	36	74
Kalispell	3	13	16
Butte	4	75	79
Bozeman	30	11	41
Great Falls	10	19	29
Havre	2	12	14
Glendive	3	28	31
Wolf Point	2	6	8
Billings	15	33	48
Miles City	1	13	14
Lewistown	<u>1</u>	<u>8</u>	<u>9</u>
Total	<u>166</u>	<u>364</u>	<u>530</u>

Motor Pool Operations Outside the Capital

Major consideration in the legislation to give the Department of Highways the responsibility to operate and maintain a state motor pool were the department's past experience in operating a vehicle fleet because maintenance facilities were already available without a large initial investment. The locations outside Helena were established to provide service to agencies which had no access to state-owned vehicles and to achieve economy in operation by increased utilization of vehicles. The primary contributors of motor pool vehicles outside Helena were the Department of Highways, the University System, and the Department of Institutions. In Missoula and Kalispell, the State Forester transferred a significant number of vehicles. Under broad authority granted by the motor pool legislation, the Department of Highways designated the

storage and servicing facilities as its field maintenance centers. This appeared reasonable because of existing facilities and a staff of automotive maintenance personnel.

However, as pointed out by the user agencies, these facilities are not conveniently located for either vehicle pick up and return or for obtaining service. For example, in the instance of the University of Montana at Missoula, unassigned vehicles and servicing facilities are situated six miles away. The motor pool does not provide delivery service at any location outside Helena and thus to pick up and return an unassigned car entails either hiring a taxi or the escort services of another employee and vehicle. For both servicing and pick up, the user agency must pay for the mileage driven.

The inconvenience is compounded because motor pool regulations require that users have the vehicles serviced at the field maintenance centers unless an emergency exists. A primary reason cited for this requirement is a favorable gasoline price through bulk deliveries which has been 22 cents per gallon versus the retail price of about 31 cents per gallon excluding state taxes. Further analysis of the cost of using highway maintenance center gasoline in lieu of commercial stations shows that highway maintenance center servicing is more costly. This is because the combined effect of the extra mileage necessary, lost time of state employees, and maintenance center service charges exceed the gasoline price savings.

Typical complaints from state agencies responding to our questionnaire (See Appendix VI) were that up to one hour lost time occurs for each pick up of motor pool vehicles, additional mileage is charged to the using agency for the pick up, the time and mileage necessary to reach the motor pool fuel pump is more costly than the savings of gasoline price, and

employees do not always know the location of the motor pool shops. During 1972, state credit cards were furnished with each motor pool vehicle for emergency needs, but the cards were removed because of what was believed to be too prevalent usage.

Most state agency responses indicated the belief that they could operate vehicles for their employees more economically than the motor pool. These comments were generally expressed by agencies which had previously owned vehicles and their officials believed they had experienced lower costs. For example, operating costs presented by Western Montana College at Dillon for four vehicles ranged from 5.1 to 6.5 cents per mile during 1970-71. Although not audited by us and not all inclusive (these rates did not include insurance costs and administrative charges to cover the normal care and refueling), the high utilization of the vehicles tends to confirm the reasonableness of these reported costs. The vehicles had been driven between 26,000 and 35,000 miles that year. The insurance cost per mile with such high utilization would be less than .3 of a cent per mile. The absence of an administrative charge is understandable since the care of the vehicle was normally incidental to other duties. The vehicles operated during 1970-71 were assigned back to Western Montana College and conditions, including servicing, are basically the same as before except that the cost per mile is significantly higher than that reported to have existed before the transfer.

A description of the Butte motor pool demonstrates the ineffectiveness of establishing a motor pool in an area where the need is limited. There are a total of 291 vehicles including 79 passenger type consigned to the Butte facility. Vehicle support is primarily extended to the Department of Highways and the following agencies:

Western Montana College
Warm Springs State Hospital
Galen State Hospital
Boulder River School and Hospital
Montana State Prison
Board of Pardons
Montana College of Mineral Science and Technology

With the exception of Montana Tech, each of these activities is located in excess of 23 miles from the motor pool. Montana Tech is about 6 miles from the Butte Motor Pool facility. The isolation of these facilities makes it impossible to achieve a pooling benefit and the motor pool permanently assigned every vehicle except four passenger types. The primary use of these four unassigned vehicles was by the Department of Highways with only about 17,000 miles driven by other agencies.

Analysis of utilization of unassigned vehicles in Miles City, Lewistown, and Kalispell also shows a lack of pooling benefit. In Miles City and Lewistown, there was one unassigned passenger car and usage by agencies other than the Department of Highways was less than 1,000 miles at each location. There are three unassigned passenger cars at Kalispell; however, with the exception of 91 miles by the Workmen's Compensation Division the vehicles just as well could have been permanently assigned. We found that each of three agencies using the vehicles had exclusive use of a car. An analysis of the utilization of unassigned vehicles at the 11 field maintenance centers shows that the average use by agencies not having ownership of vehicles prior to formation of the motor pool was only one percent of the total mileage.

It was expected that use of the Department of Highways maintenance facilities would be an economic advantage because of existing facilities and personnel. However, contrary to this, the use of these facilities

actually caused a substantial increase in cost per mile of operation because of overhead costs associated with the field maintenance centers. The following tabulation of costs for passenger cars in 1971-72, illustrates the magnitude of the overhead charge.

	<u>Original Estimate</u>	<u>Recorded Actual</u>
Gasoline		\$.0145
Oil and Grease		.0005
Parts and Accessories		.0053
Tires and Tubes		.0048
Batteries, plugs, filters, etc.		.0062
Direct labor	<u> </u>	<u>.0143</u>
Subtotal	\$.0330	.0456
Insurance	.0060	.0042
Overhead:		
Administration	\$.0050)	
Uninsured Losses	.0020)	\$.0092
Allocation of 12 Highway Maintenance Centers Overhead Costs	-0-	.0235
Depreciation (Vehicle Replacement)	<u>.0400</u>	<u>.0350</u>
Total	<u>\$.0860</u>	<u>\$.1175*</u>

* rounded to 11.8¢ for billing purposes.

The overhead charged to the motor pool represented 63.13 percent of the 12 maintenance centers' costs not charged directly to motor pool vehicles or other Department of Highways programs. Total overhead for the 12 maintenance centers was \$796,000 for 1971-72, compared to \$745,000 for the preceding year. Analysis of salary and price increases shows that the overhead for 1971-72 was comparable to the preceding year and that the expansion of the motor pool did not cause a significant increase in overhead cost for the Department of Highways. Of the total \$502,000 charged to the motor pool, about \$380,000 was charged back to

the Department of Highways through user charges, and the remainder, about \$120,000, was charged to other user agencies. In effect, the operation of the motor pool has resulted in a \$120,000 windfall to the Department of Highways.

The establishment of motor pool locations outside Helena did not generate maintenance economies. There are 16 agencies presently accomplishing servicing and maintenance on a cost reimbursable basis (See pages 16 and 17 for discussion). It is also apparent that the prices available to the motor pool are extended to individual agencies. For instance, gasoline is available to other agencies with bulk receiving facilities at approximately the same price as obtained by the motor pool. Similarly, the prices for repair parts are the same to all state agencies. The requirement for pooling at those locations outside of Helena has generated only minimal benefit while creating significant inconvenience and higher cost to the user agencies. Discontinuance of the motor pool facilities outside of Helena, combined with the return of special use vehicles based on demonstrated need as previously recommended would alleviate this inconvenience and reduce the cost to the user agencies.

RECOMMENDATION

We recommend that:

- 1. The motor pools outside Helena be discontinued.*
- 2. Passenger type vehicles be distributed to state agencies situated outside of Helena based upon justified need.*

Helena Motor Pool

Continuation and expansion of motor pool capabilities for the Helena area is indicated by the significant mileage driven from the capital city based agencies. There were about 1,930,000 miles logged on the Helena

motor pool passenger type vehicles in 1971-72 by 22 agencies. Significant expansion potential exists because employees working out of Helena were reimbursed for personal car mileage on state business of an estimated 4,300,000 miles during 1971-72. In addition, further expansion is possible because of 25 passenger vehicles currently excluded by four departments because of concern over federal financing. However, relocation of the storage and servicing facilities is essential to encourage greater use of a Helena based motor pool and to reduce costs of operations.

We have commented in another section of this report regarding the need to require state employees to use motor pool vehicles when available to achieve lower rates through higher utilization. Such a requirement is also applicable to those agencies presently excluding vehicles because of federal financing. We found that other states were faced with the same concern but that the problem was readily solved by the purchase of the fair value of the federal equity. A similar consideration is that participation in some federally financed programs has built-in restrictions (e.g., hunting and fishing license fees may not be diverted for other than conservation purposes). This problem can be overcome by purchasing the Helena based vehicles at the current trade-in value. The following tabulation shows the May 1973 trade-in value of passenger vehicles operated in the Helena area, but excluded from the motor pool for financing reasons.

<u>Department</u>	<u>Number of Vehicles</u>	<u>Trade-in Value</u>
Fish and Game	12	\$11,050
Public Instruction	4	3,800
Social and Rehabilitation Services	5	4,500
Labor and Industry	<u>4</u>	<u>4,225</u>
Total	<u>25</u>	<u>\$23,625</u>

The existing Helena based motor pool is located about four and one-half miles from the state offices in the capitol complex. Generally, complaints expressed regarding the convenience of the motor pool locations were applicable to the Helena facility. In an attempt to improve service, the Helena motor pool has provided a delivery service for each vehicle checkout. Upon checkout, this involves an employee of the motor pool bringing the vehicle to the applicable state office and driving the motor pool employee back to the service area by the user agency employee. When the vehicle is checked in, the process is reversed. The state agencies were not satisfied with these arrangements because a minimum of one-half hour was lost to employees to check out vehicles and because the mileage driven during the delivery process was charged to the user agency. In many instances, the time required for delivery was much longer because of prior calls. We estimate that the cost of delivering and returning motor pool vehicles to be about \$56,000 annually, considering the cost of the motor pool employee's time, extra mileage driven, and lost time to user agency employees.

In response to a questionnaire we sent to other states (although not tabulated in Appendix V on page most states indicated that their motor pool was convenient to state offices generally in the capitol complex. To determine the feasibility of placing a permanent motor pool in or near the Montana capitol complex, we contacted the Department of Administration, Architecture and Engineering Division, to determine compatibility with the long range building plans. We were advised that such a facility was compatible in the long range plans, but that the land would have to be purchased. We were also told that a cost estimate of about \$125,000 for land and construction of a fenced facility with parking for 102 vehicles, a three-bay service garage, office space, and plug-ins for engine heaters was reasonable. Such a facility would provide for routine maintenance such

as lube, oil changes, tire changes, and minor repair. Considering that the cost of delivery service from the present motor pool facility could be eliminated, this capital investment could be recovered in about two years. An increase in motor pool utilization through a corresponding reduction of personal car mileage would add significantly to savings of a more convenient motor pool. Additional savings will result by elimination of planned passenger car facilities in the Department of Highways long-range building plan east of Interstate 15 in Helena. The approved building plan included a \$1.2 million motor pool facility of which \$278,000 is storage building for 140 passenger vehicles.

Significant pooling benefit can be achieved by continuation of the Helena based state motor pool while vehicle use can be expanded to meet the needs of personal car mileage and of the four agencies presently not participating in the motor pool. A determination should be made of any payment necessary to satisfy federal equity and the motor pool should purchase the vehicles.

As indicated by our analysis of motor pool utilization outside Helena there is only minimal benefit achieved. Those occasional instances where a vehicle need arises for an employee from other than the proximity of the 11 motor pool locations outside Helena can better be met by arranging to use agency owned vehicles on a cost reimbursable basis if available or through commercial car rental firms. We were advised by various state agencies that cost reimbursable use of their available vehicles was acceptable. We also found that a statewide contract at discounted rates with several nationally affiliated car rental firms was feasible.

We commented on page 18 of this report regarding the inconvenience and added total cost of using Department of Highways field maintenance centers for servicing. The more convenient and less costly commercial service station should be made available to motor pool travelers by returning the state credit card to each vehicle.

RECOMMENDATION

We recommend that:

- 1. All Helena based agencies be required to participate in the Motor Pool and that arrangements be made to satisfy federal requirements for transfer of agency-owned passenger type vehicles to the Motor Pool.*
- 2. Legislative approval and financing for the construction of a capitol complex Motor Pool facility be sought for the long-range building plan.*
- 3. Each motor pool vehicle be equipped with a credit card to enable purchase of service from commercial facilities.*
- 4. Consideration be given to a state-wide contract for rental of passenger cars should agency-owned equipment prove unavailable.*

UTILIZATION OF VEHICLES

The motor pool rental rates have been increased because of comparatively low mileage utilization of the vehicles. This low mileage utilization can be attributed to the permanent assignment of vehicles without due regard to need, the payment of personal car mileage when motor pool vehicles are available, and a rental rate structure which encourages low utilization. Low utilization of motor pool vehicles tends to decrease the primary benefits of pooling.

A primary purpose of pooling state-owned vehicles is to achieve the existing mileage requirements with a fewer number of vehicles. Ownership or control by individual state agencies will normally restrict use to employees of those agencies and cause lower use because of periods of idleness. Under an effective pooling arrangement the idle periods of one agency can provide assets for another agency's use, thus effecting increased utilization of available equipment.

High mileage utilization of vehicles results in a lower cost per mile of operation than low usage. This lower cost per mile results because certain costs are fixed in nature and remain substantially the same regardless of mileage driven. Costs of operating vehicles can generally be categorized as either fixed or variable. The cost of depreciation, insurance, and overhead are fixed in the sense that they remain substantially the same during the year, while gasoline, oil, grease, tires, repairs, etc., increase or vary in direct relation to miles driven. The primary benefit of increased utilization is that the fixed costs, remaining constant, are spread over a greater number of miles and thus a lower cost per mile is achieved. The following table demonstrates South Dakota's experience relating to utilization of motor pool passenger type vehicles.

<u>Annual Mileage</u>	<u>Annual Fixed Cost</u>	<u>Annual Variable Cost</u>	<u>Combined Fixed & Variable</u>	<u>Cost Per Mile</u>
5,000	\$930.00	\$ 212.50	\$1,142.50	22.85¢
10,000	930.00	425.00	1,355.00	13.55¢
15,000	930.00	637.50	1,567.50	10.45¢
20,000	930.00	850.00	1,780.00	8.90¢
25,000	930.00	1,062.50	1,992.50	7.97¢
30,000	930.00	1,275.00	2,205.00	7.35¢
35,000	930.00	1,487.50	2,417.50	6.91¢

South Dakota's average utilization was 31,000 miles at a cost of 7.35 cents per mile. We were advised that New Mexico averaged 30,000 miles per vehicle at a cost of 8 cents per mile. The average mileage of vehicles in the Montana motor pool was substantially lower at 17,000 per passenger car.

The formation of the Montana statewide motor pool did not result in a decrease in the number of vehicles as would normally be expected from pooling, but the quantity of equipment increased. State agencies transferred a total of 446 passenger type vehicles to provide equipment support and after one year the operating level of this category was 530 vehicles. A random sample of four months showed that the daily use of the passenger vehicles in the Montana statewide motor pool was only 55 percent of those available. The average daily use of South Dakota vehicles runs about 90 percent of the total number in the motor pool.

The low utilization of Montana motor pool vehicles can be attributed partially to the practice of permanently assigning vehicles without adequate consideration of mileage needs. The Motor Pool Division has not established mileage criteria to indicate need for permanent assignment which effectively restores vehicles to circumstances similar to restrictive state agency ownership. Of the 446 passenger cars and station wagons transferred from agency ownership, 369 were reassigned back to the

agencies on a permanent basis. The pooling effect for these vehicles is negligible because such action restricts use to the agency of assignment. Low utilization resulting because of permanent assignment of passenger vehicles is illustrated by the fact that 16 were driven less than 5,000 miles during 1971-72 and that an additional 20 were driven less than 7,000 miles during the same year.

The restriction of permanent assignment can be demonstrated by describing the use of a motor pool passenger car which is permanently assigned to an employee. The vehicle was driven 9,658 miles during 1972. The vehicle was in actual use only 59 days during the period, of which nine days represents use by other agencies. The motor pool had been allowing other agencies to use the vehicle because of the inactivity but discontinued the policy when officials received a verbal complaint from the assignee because the vehicle was not available on a particular day.

Permanent assignment of vehicles from the South Dakota motor pool are made only after the agency established usage of 2,100 miles per month. Many permanent assignments from the Montana motor pool are based on the concept of trying to please agency officials rather than demonstrated need.

Another factor which contributed to low utilization of motor pool vehicles is the payment for personal car mileage while motor pool vehicles are available. We estimate that there was about 4,300,000 miles of personal car mileage paid to Helena-based employees for travel on state business during 1971-72. The shortcomings of allowing such a large volume of personal car travel can be illustrated by the following examples where individuals were permitted to travel in personal cars while motor pool vehicles sat idle. The vehicle cited previously as being used only 59 days during a one-year period was assigned to an employee. We found that the employee was paid personal car

mileage while the permanently assigned vehicle remained idle. Another example was where a passenger car was permanently assigned to an employee of another agency. The vehicle was not used for two separate periods of two months each although the employee was paid for 3,942 miles driven in his personal car. A sampling of travel claims submitted by other employees of this agency for August and September 1972, showed 2,935 miles were paid for personal cars while permanently assigned motor pool vehicles were available. Such situations are not limited to the Helena agencies. We found that an agency outside Helena was paying for personal car mileage although three permanently assigned vehicles showed very low utilization. One of the vehicles was driven only 1,610 miles during a nine-month period.

Most states contacted during our examination require employees to use the motor pool vehicles if available while some provided for payment of a lower rate per mile where the employee chose for personal convenience to drive his personal car. We noted that some paid a rate of 1 to 2 cents less than the motor pool rate when using a personal car while motor pool vehicles were available.

An analysis of all costs shows that vehicles driven less miles are more costly per mile than those driven to achieve maximum utilization. The Montana statewide motor pool rate structure does not distinguish between high and low utilization of vehicles, but rather consists of a straight mileage rate (e.g., 11.8 cents per mile driven for passenger cars). This method of billing obviously favors the low utilization at the expense of those agencies achieving maximum use and effectively results in subsidizing agencies with low mileage use. Most states responding to our questionnaire on motor pool operations indicated that the rate structure had been split to recover fixed costs separately from variable costs. This could consist of charging a minimum daily rate if sufficient miles are not driven or a set daily rate

plus a mileage charge. Such split charges encourage high utilization resulting in lower cost per mile to the user agency because charges are made to those agencies during the time permanently assigned vehicles remain idle. Appendix V, on page 64 shows the practices followed by the other responding states.

Economy with reasonable service is a primary goal to achieve in the operation of a motor pool and a significant factor contributing to economy is maximum utilization of vehicles. Indiscriminate permanent assignment of vehicles has led to low use of Montana motor pool vehicles and substantially nullified the pooling benefit. A split rate structure charging fixed and variable costs separately will reduce the request for permanent assignment without justifiable need and encourage higher utilization of vehicles. State employees should be required to use available motor pool vehicles or be paid a rate about 2 cents less than the motor pool rate if the employee chooses to drive his personal car for his convenience. However, individual department heads should have flexibility to determine whether extenuating circumstances make the personal car use advantageous to the agencies and thus payment of the normal authorized rate is warranted.

RECOMMENDATION

We recommend that:

- 1. The rental rate of motor pool vehicles be structured to recover fixed costs plus a variable cost mileage rate.*
- 2. Normal permanent assignment be made with utilization as a primary consideration.*
- 3. Legislation be considered to provide for a personal car reimbursement rate lower than the motor pool rate when motor pool vehicles are available but not used, except in those instances when the agency head certifies use of a personal car was justified.*

MAINTENANCE OF VEHICLES

The motor pool rate for passenger vehicles has been increased because of unnecessary routine maintenance and inefficient repair of mechanical failures. The motor pool routine maintenance such as oil changes, filter changes, and car washes were accomplished more often than necessary, and Department of Highway employees used substantially more time to make repairs than the flat rates prescribed for commercial garages.

The total direct labor charged to passenger vehicles in 1971-72 was \$104,000. An analysis of the direct labor shows that about 75 percent was for routine vehicle servicing such as refueling, oil changes, filter changes, lubes, and car washes. For example, we found one passenger car that was charged \$525.52 for this routine servicing during fiscal year 1971-72 and two others that had been charged in excess of \$375 during the year.

Routine servicing was performed much more often than necessary either by manufacturers' suggestion or condition of the vehicles. The motor pool management had determined that the oil should be changed every 1,000 miles for passenger cars. In actual practice, however, we found that the oil was changed about every 1,500 miles. Oil filters were being changed every 3,000 miles. The manufacturers' suggestion for this service is to change oil and oil filter every 6,000 miles. Considering the unnecessary repetition, we estimate that costs were increased about \$18,000 annually for labor, oil, and additional oil filters. Normally, other servicing standards prescribed by the manufacturers were followed.

Upon inquiry into the aspect of car washes, motor pool officials advised us that about 60 percent of the vehicles are washed once a week and the remaining 40 percent are washed twice a week. It was explained that vehicles are washed each time they are returned and that normally the permanently assigned vehicles were washed more often because they are

checked out for shorter periods than the unassigned cars. The charge for washing each vehicle is one hour direct labor, or about \$5.20. While generally there are no standards for the frequency that vehicles are to be washed, New Jersey, for example, precludes washing them more than twice monthly. It is doubtful that the average user of motor pool vehicles would incur such costs for their personal vehicles.

An analysis of a limited number of repairs of mechanical failures selected at random performed by the Department of Highways employees on motor pool passenger vehicles showed that about twice as many hours were required as compared to established hours by commercial garage flat rate books. The following table of examples demonstrates the inefficiencies observed in various repairs performed by the Department of Highways.

<u>Repair Work</u>	<u>Hours Required</u>	
	<u>Motor Pool</u>	<u>Commercial</u>
Carburetor Overhaul	6	2.4
Valve Grind and Tune Up	18	11.5
Replace Speedometer	4	2.2
Replace Rear Shocks	2	.8
Replace Rear Brake Shoes and Drums	5	1.9
Replace Right Rear Brake Shoes Axle, Seal, and Bearing	5	1.8

The total sample of repair work done showed that commercial shop rates were about 18 percent more costly than the motor pool direct labor charges even with the additional hours, however, the application of the Department of Highways overhead to the direct labor charges results in a maintenance cost 34 percent higher than commercial shops.

Rental rates for passenger vehicles have been increased because of

the routine maintenance being accomplished more often than necessary and because of the Department of Highways mechanics' inefficiency in accomplishing repairs. Repetitive servicing should generally be limited to that prescribed by the manufacturer or, as in the case of car washes, limited to when circumstances indicate necessity. The poor efficiency and resultant higher cost of Department of Highways accomplishment of repair work warrants a study to determine feasibility of using commercial garages for repairs on motor pool vehicles.

RECOMMENDATION

We recommend that the department, in regard to passenger vehicles:

- 1. Revise its standards for routine maintenance to comply with the recommended frequency suggested by manufacturers.*
- 2. Revise the frequency of vehicle washing to standards of reasonable necessity dictated by the condition of the vehicle.*
- 3. Compare the cost of mechanical repair by commercial facilities and the department's Helena maintenance facility and use of the most economical services available.*

DRIVER NEGLIGENCE AND VEHICLE ABUSE

Motor pool rental rates have been increased because of repair cost of damage to vehicles caused by driver negligence and abusive use of vehicles. Since there are no regulations requiring payment of these damages by the user agency, the costs are absorbed by the motor pool and passed on in higher rental rates.

The cost of repairing damage caused by accidents was \$14,630 in 1971-72. There were additional costs when vehicles were "totaled out" rather than repaired. Although motor pool records do not show the annual cost of repair resulting from abusive use of vehicles we observed several instances of substantial damage caused by abusive use and care of equipment. One employee caused an engine replacement because he drove a station wagon in such a rough area that a hole was torn in the oil pan. Another employee with a permanently assigned passenger car caused an engine replacement because he did not have the oil checked and ran without oil.

Generally, Montana state agencies do not have procedures established for review of accidents for possible disciplinary action, however, we found that the Workmen's Compensation Division in the Department of Labor and Industry and the Department of Highways had established such. The Department of Highways regulations for example are as follows:

"Operators who have had one chargeable accident will be notified and warned. Operators who have had two chargeable accidents within a three-year period, are subject to time off without pay. Operators who have three chargeable accidents on their record, within a three-year period, are subject to dismissal. Exceptions to this policy will be in cases where higher authority elects to dismiss an operator before he has had three chargeable accidents."

We did not find any agencies that provided possible disciplinary action for vehicle abuse other than "accidents" as noted previously.

New Mexico, New Jersey, and Oregon hold the leasing agency or operator responsible for the safekeeping and return of the motor pool vehicle and its equipment and that cost of repair is assessed against the user agency where negligence or abuse is indicated. The following is the policy of the U.S. Government's General Services Administration regarding damage resulting from abusive and negligent driving:

"d. Abusive use or negligent damage. Whenever a motor vehicle is damaged through abuse, negligence, misuse, or whenever driven by persons under the influence of alcohol or narcotics, the agency employing the operator of the vehicle will be furnished a complete statement thereof and shall be responsible for the damage. Costs resulting from such damage will be billed to the agency."

The negligent and abusive driving by state employees is the responsibility of the employing agency and damages should be assessed to the responsible agency rather than all agencies through user charges. The various state agencies should create an awareness among employees for proper driving and use of equipment through procedures such as employed by the Department of Highways.

RECOMMENDATION

We recommend that the department:

- 1. Assess the leasing agency for damage caused by the negligent or abusive driving of its employees.*
- 2. Encourage departments to establish regulations providing for possible disciplinary action for both negligent and abusive use of equipment.*

FINANCING FOR REPLACEMENT VEHICLES

Vehicle support for the motor pool was originally provided by transfer of state-owned equipment, mostly early in 1971-72. This procedure was similar to that used by the majority of the states responding to our motor pool questionnaire. In addition to the vehicle transfers, initial financing of the motor pool was provided by net transfers from the Earmarked Revenue Fund Highway Account in the amount of \$109,000 for the 1969-71 biennium and \$500,000 for the 1971-73 biennium. These transfers were used primarily to pay for reimbursable operating expenses but also to finance vehicle purchases.

The motor pool has established mileage criteria for replacement of passenger vehicles and light special purpose equipment at 75,000 miles, heavier equipment such as dump trucks at 100,000 miles, and heavy trucks at 200,000 miles. This criteria appears reasonable in that it is consistent with that used in other states.

The state motor pool has had a major problem with financing vehicle replacement from the outset of its expanded operations in July 1971. The basic reason for this is the high percentage of vehicles transferred into the pool which were due for replacement either immediately or relatively soon after their transfer. Because of the high cost special-purpose vehicles included in the pool, the working capital advances provided were not sufficient to enable timely vehicle replacement.

Included in the user rental rates is a factor for vehicle replacement (e.g., 3.5¢ for passenger cars). However, this factor was computed as if the vehicles transferred into the pool were new, whereas the average mileage of the passenger cars transferred to the motor pool was 47,000, with 66 vehicles over 75,000 miles. The average mileage of station wagons transferred was 50,700, with 31 over 75,000 miles. Because the

vehicles transferred had generally high mileage, the replacement factor in the rental rates did not produce enough revenue to make timely replacements.

This has resulted in pool vehicles being continued in use in excess of the established mileage criteria with necessarily higher maintenance costs and user dissatisfaction. The following table shows the vehicles driven in excess of the disposal criteria at acquisition and at December 31, 1972.

<u>Type</u>	<u>Number of Vehicles</u>	
	<u>Acquisition</u>	<u>12/31/72</u>
Passenger	97	155
Special Purpose	295	336
	—	—
Total	<u>392</u>	<u>491</u>

As shown by the table, the motor pool has not progressed toward updating the fleet, but rather is losing ground in the replacement program. There were 125 passenger vehicles and 167 special purpose vehicles purchased in 1971-72, and 118 passenger vehicles purchased in 1972-73.

The Department of Highways has recognized this problem and its effect on the cost of operation by the following quotation of a letter by the Director on January 25, 1973.

"However, until adequate funding is provided to the Motor Pool, it will not be able to perform its function efficiently. The Pool now is running vehicles past their useful lives and will still have to do so even with the passage of the proposed legislation. Also, if additional vehicles are required by various State agencies, it would not be possible for the Pool to completely satisfy their requirements."

The added costs of operating high mileage vehicles is further illustrated in a letter dated April 16, 1973, in which the motor pool administrator commented:

"The delay in the purchase of new vehicles to replace those Motor Pool vehicles already run past their normal

economic life has resulted in a serious deterioration of the quality of service expected of the State Motor Pool and it has also increased the operational costs of these older units." (Underscore supplied)

To ascertain the effect of continued use of vehicles driven beyond the economic useful life, we selected 27 passenger type units with mileage in excess of 80,000. The following tabulation shows their condition and utilization based on condition:

- 7 units - Mechanical failure - not in use
- 17 units - Engine bad - restricted use
- 1 unit - Fair condition
- 1 unit - Good condition
- 1 unit - Overhauled at a cost of \$350

Motor pool officials told us that continued use of these high mileage vehicles was risky because of the probability of major mechanical failures. We identified that this probability became fact in the instance of four vehicles that were intended for local use but were used on longer trips resulting in major engine failures. A failure in these vehicles is costly either as an expensive repair for limited future mileage or because of substantially reduced resale value in an unrepaired condition.

As an illustration of the higher maintenance cost for higher mileage vehicles, the state of Hawaii's response to our questionnaire indicated that new vehicles cost 9 cents per mile to operate as compared to 14 cents per mile for older vehicles. Hawaii's disposal criteria is 100,000 miles.

We have commented in an earlier section of this report that financing the replacement of special purpose equipment is more appropriately the concern of the using agencies because of a lack of pooling need or benefit. Consistent with our recommendation, the elimination of this equipment places the financing responsibility with the benefiting agency. We have also

commented that the motor pool should be limited to Helena-based vehicles on a concept of high utilization (30,000 miles annually per vehicle) and resultant economy with reasonable service. Dependent upon the requirement that state employees be required to use motor pool vehicles, it appears that at least 5,000,000 miles will be driven annually from the Helena motor pool, i.e., 2,000,000 current use rate plus about 3,000,000 miles of the present 4,300,000 miles driven in personal cars. Achievement of 30,000 miles per vehicle utilization, such as experienced by South Dakota and New Mexico would require about 167 passenger vehicles rather than the current quantity of 530. The reduction in number of vehicles will solve the motor pool replacement financing problem as there are sufficient low mileage vehicles available to meet the needs of a Helena motor pool. However, further study will be required before it can be determined if sufficient low mileage vehicles are available to meet the need for vehicles by agencies outside of Helena. In addition, we estimate that the working capital needs of the revolving fund can be reduced from \$500,000 to \$100,000 because of the reduction of vehicles and resultant mileage. This excess could be returned to Highway Earmarked Fund as soon as reduced operations permit.

RECOMMENDATION

We recommend that in consideration of the substantial reduction in motor pool equipment that the excess working capital be returned to the Highway Earmarked Fund as soon as operations permit.

ADMINISTRATION OF THE MOTOR POOL

The Department of Highways was given the responsibility for operating the motor pool because of its past experience in operating its own motor vehicle fleet, the majority of state-owned vehicles were operated within that agency, and fully operating maintenance facilities were available without large initial investment or start-up expenses. With this past experience and existing capabilities, it appeared that the motor pool would be an immediate economic success. However, as illustrated throughout this report, operation of the motor pool within the Department of Highways has not resulted in the economy that was anticipated. The higher than anticipated user rates can be related significantly to the overriding importance of the highway maintenance mission.

The most significant single cost item contributing to unnecessarily high rental rates was the overhead allocation from the field maintenance centers. The motor pool was required to absorb a substantial portion of the cost of these facilities, even though the primary purpose for their existence and staffing level was to assist in the construction and maintenance of the highway system. Costs would have been significantly lower had the motor pool been organized to provide economical service to other state agencies rather than being geared to provide an operational fleet of special purpose equipment that represents the majority of motor pool vehicles.

The following tabulation shows that most states responding to our questions regarding motor pools have placed the operation within a department similar to the Montana Department of Administration.

<u>Agency</u>	<u>Number</u>
Department of General Services	6
Department of Administration	7
Department of Highways	3
Department of Treasury	1

The mission of the Department of Administration--that of providing service to state agencies--is more closely aligned to the purpose of a motor pool and placement within the department would allow the motor pool to operate on its own merit without an overriding influence of another primary mission.

It is apparent from our comments suggesting deletion of the field maintenance centers and the special purpose equipment from the motor pool that the justification for inclusion in the Department of Highways diminishes rapidly. The construction of a capitol complex location will even further disassociate the Department of Highways with the exception perhaps on major repair. Accordingly, consideration should be given to transferring the motor pool operation to the Department of Administration.

RECOMMENDATION

We recommend that legislation be considered to transfer operation of the motor pool to the Department of Administration.

FINAL COMMENTS

We have reviewed the contents of this report with the Highway Commissioners, the Director, Department of Highways, and pertinent members of his staff. The full context of the department's written response to the report is presented in the next section of this document. We appreciate the cooperation extended by the Director and his staff during the course of the examination.

Respectfully submitted,

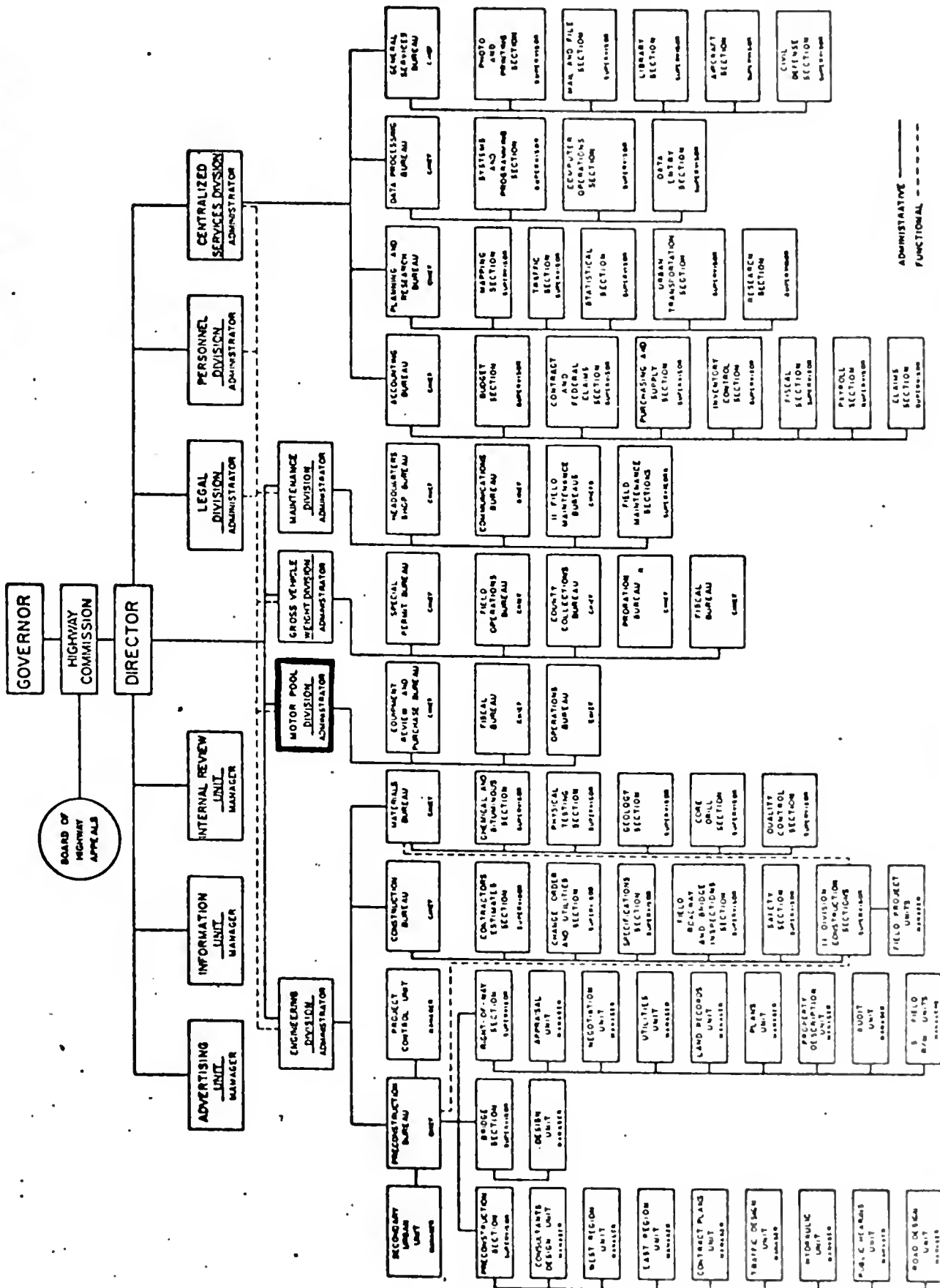


Morris L. Brusett
Legislative Auditor

July 6, 1973

ORGANIZATION CHART DEPARTMENT OF HIGHWAYS

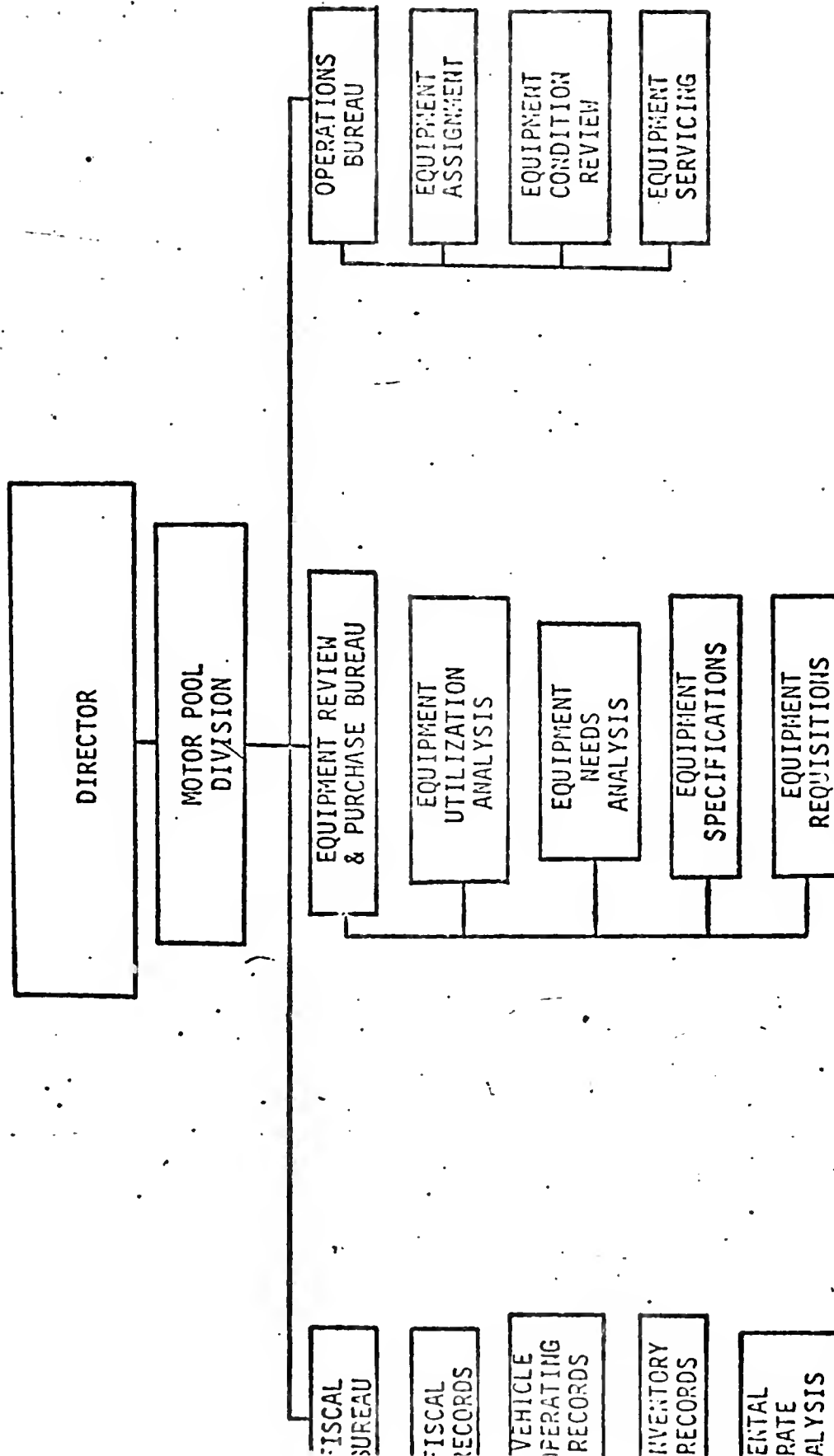
Organization Chart after Executive Reorganization



DEPARTMENT OF HIGHWAYS

FUNCTIONAL ORGANIZATION CHART

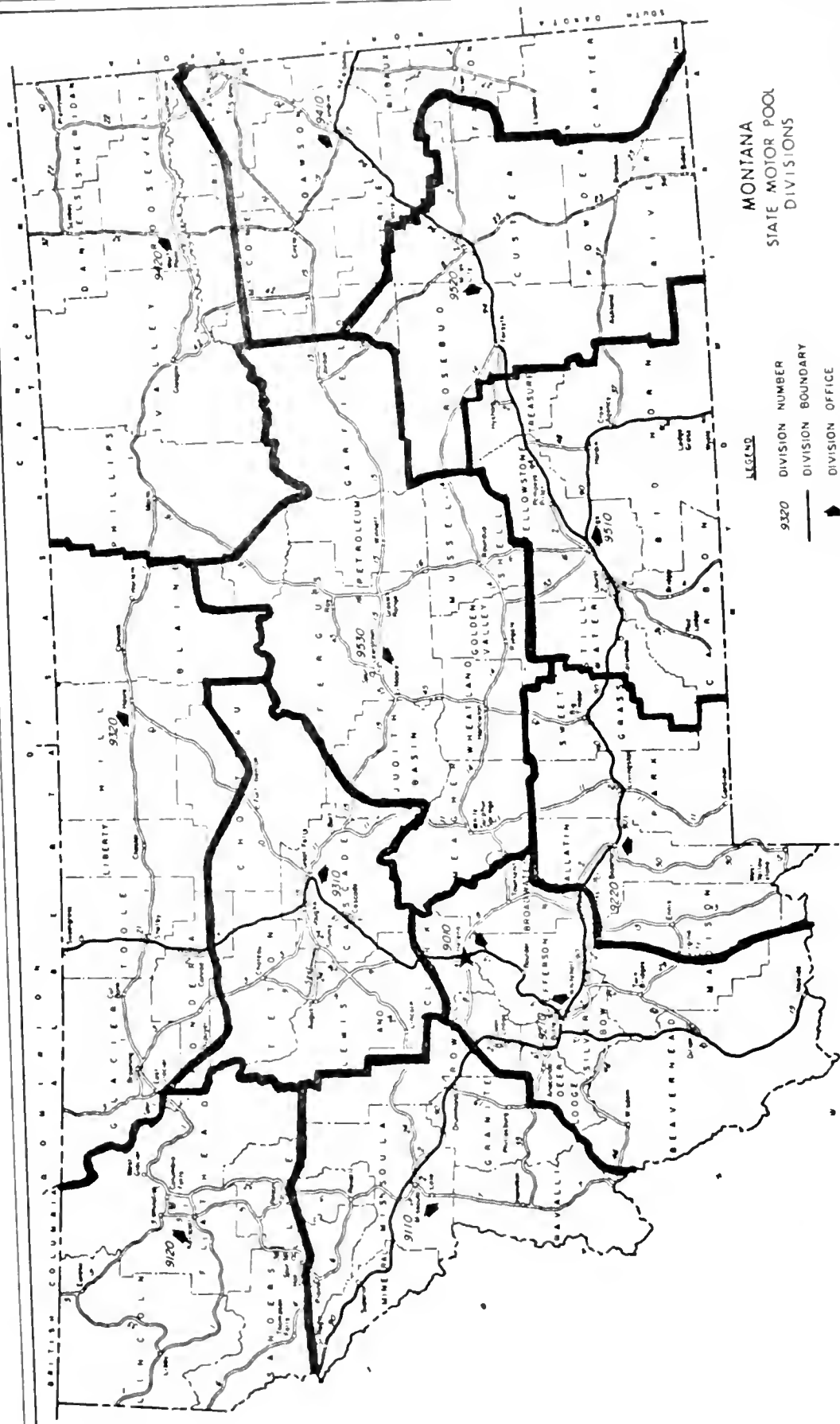
MOTOR POOL DIVISION



JULY 1, 1971

MONTANA STATE MOTOR POOL DIVISIONS

- LEGEND**
- 9320 DIVISION NUMBER
 - DIVISION BOUNDARY
 - DIVISION OFFICE
 - HEADQUARTERS



SUMMARY OF MOTOR POOL MILEAGE

<u>Division</u>	<u>Mileage</u>		
	<u>Assigned 1/</u>	<u>Unassigned</u>	<u>Calculated Pooling 2/</u>
Kalispell	1,523,776	140,124	539
Missoula	2,277,215	532,485	33,141
Butte	3,068,605	38,219	10,988
Bozeman	1,084,867	625,758	11,642
Billings	1,817,807	320,487	10,898
Lewistown	1,111,350	43,389	709
Great Falls	1,717,654	297,647	40,438
Havre	1,062,762	41,833	--
Wolf Point	933,003	14,653	2,669
Glendive	1,136,878	86,546	640
Miles City	1,093,962	86,841	205
Helena	<u>829,761</u>	<u>159,156</u>	<u>27,131</u>
Total	<u>17,657,640</u>	<u>2,387,138</u>	<u>139,000</u>

CALCULATED POOLING BY VEHICLE CLASS 2/

<u>Vehicle Class</u>	<u>Mileage</u>
Passenger Cars	72,758
Station Wagons	37,928
Station Wagons, 4W/D	10,535
Suburbans	10,152
Suburbans, 4W/D	506
Pickups, ½-ton	5,918
Trucks	<u>1,203</u>
Total	<u>139,000</u>

1/ Assigned mileage does not distinguish the occasional use by agencies other than the assigned agency. However, our tests show that this practice was relatively insignificant and generally by agencies which previously had access to similar vehicles.

2/ Calculated pooling is that unassigned vehicle mileage by agencies which did not have access to state-owned equipment in the vehicle classes

KALISPELL DIVISION

<u>Vehicle Class</u>	<u>Assigned</u>		<u>Unassigned</u>	
	<u>Vehicles</u>	<u>Mileage</u>	<u>Vehicles</u>	<u>Mileage</u>
Passenger Cars	8	64,089	3	43,603
Station Wagons	5	65,141	--	--
Station Wagons, 4W/D	4	43,257	--	--
Suburbans	14	75,212	--	--
Suburbans, 4W/D	3	15,173	--	--
Pickups, ½-ton	31	292,388	--	--
Pickups, 3/4-ton	6	57,243	--	--
Panels, ½-ton	3	12,835	--	--
Panels, 3/4-ton	1	9,942	--	--
Pickups, 3/4-ton, 4W/D	1	219	--	--
Pickups, Flatbed, 1-ton	3	8,183	--	--
Trucks	<u>56</u>	<u>880,094</u>	<u>8</u>	<u>96,521</u>
Total	<u>135</u>	<u>1,523,776</u>	<u>11</u>	<u>140,124</u>

User Agency

University of Montana	1	2,775	--	--
Agricultural Experiment Station	5	12,509	--	--
Department of Health	1	9,107	--	--
Department of Highways	101	1,345,259	--	115,733*
Department of Natural Resources	19	98,619	--	348
Liquor Control Division	1	3,265	--	--
Department of Institutions	1	17,789	--	--
Swan River Youth Forest Camp	2	19,409	--	1,825*
Veterans' Home	3	12,798	--	--
Board of Pardons	1	2,246	--	--
Department of Livestock	--	--	--	22,027*
Other	<u>--</u>	<u>--</u>	<u>--</u>	<u>191</u>
Total	<u>135</u>	<u>1,523,776</u>	<u>--</u>	<u>140,124</u>

* Milage by agencies having access to vehicle classes driven prior to formation of the motor pool

MISSOULA DIVISION

<u>Vehicle Class</u>	<u>Assigned</u>		<u>Unassigned</u>	
	<u>Vehicles</u>	<u>Mileage</u>	<u>Vehicles</u>	<u>Mileage</u>
Passenger Cars	31	296,573	25	279,689
Station Wagons	12	169,740	13	124,797
Station Wagons, 4W/D	3	23,856	--	--
Suburbans	26	197,466	3	61,536
Suburbans, 4W/D	6	67,522	1	3,181
Special	1	2,085	--	--
Pickups, 1/2-ton	49	450,595	2	6,660
Pickups, 3/4-ton	9	82,644	1	--
Pickups, Flatbed, 1-ton	4	1,237	--	--
Pickups, 3/4-ton, 6 passenger	3	4,173	1	9,074
Panel, 1/2-ton	11	57,192	--	--
Panel, 3/4-ton	--	--	1	15,378
Pickups, Flatbed, 1-ton, 4W/D	3	1,305	--	--
Trucks	<u>71</u>	<u>922,827</u>	<u>3</u>	<u>32,170</u>
Total	<u>229</u>	<u>2,277,215</u>	<u>50</u>	<u>532,485</u>
<u>User Agency</u>				
Attorney General	1	6,239	--	--
Public Service Commission	1	13,488	--	1,351*
University of Montana	6	44,492	--	278,362*
Agricultural Experiment Station	3	11,505	--	6,290*
Department of Highways	174	1,976,061	--	167,692*
Department of Livestock	1	19,567	--	676
Department of Natural Resources	39	194,583	--	34,846*
Department of Institutions	1	2,706	--	1,858

<u>User Agency</u>	<u>Assigned</u>		<u>Unassigned</u>	
	<u>Vehicles</u>	<u>Mileage</u>	<u>Vehicles</u>	<u>Mileage</u>
Mountain View School	1	3,427	--	10,803*
Board of Pardons	2	5,147	--	6,396
Other	<u>--</u>	<u>--</u>	<u>--</u>	<u>24,211</u>
Total	<u>229</u>	<u>2,277,215</u>	<u>--</u>	<u>532,485</u>

* Mileage by agencies having access to vehicle classes driven prior to formation of the motor pool.

BUTTE DIVISION

<u>Vehicle Class</u>	<u>Assigned</u>		<u>Unassigned</u>	
	<u>Vehicles</u>	<u>Mileage</u>	<u>Vehicles</u>	<u>Mileage</u>
Passenger Cars	55	595,424	3	35,205
Station Wagons	24	293,943	1	3,014
Station Wagons, 4W/D	5	18,828	--	--
Suburbans	50	480,662	--	--
Suburbans, 4W/D	5	39,666	--	--
Pickups, ½-ton	37	382,979	--	--
Pickups, 3/4-ton	6	16,783	--	--
Pickups, 1-ton	10	36,887	--	--
Panels, ½-ton	5	23,988	--	--
Panels, 3/4-ton	1	8,650	--	--
Pickups, ½-ton, 4W/D	4	16,461	--	--
Pickups, 3/4-ton, 4W/D	2	19,825	--	--
Trucks	<u>97</u>	<u>1,134,509</u>	<u>--</u>	<u>--</u>
Total	<u>301</u>	<u>3,068,605</u>	<u>4</u>	<u>38,219</u>

User Agency

University of Montana	1	4,332	--	781
Montana Tech	12	86,887	--	1,100*
Western Montana College	4	34,409	--	--
Department of Highways	167	2,090,503	--	18,755*
Liquor Control Division	1	3,937	--	--
Boulder River School & Hospital	9	120,056	--	--
Children's Center	5	44,172	--	--
Galen State Hospital	8	33,217	--	--
Montana State Prison	60	454,001	--	2,762*

<u>User Agency</u>	<u>Assigned</u>		<u>Unassigned</u>	
	<u>Vehicles</u>	<u>Mileage</u>	<u>Vehicles</u>	<u>Mileage</u>
Warm Springs Hospital	21	113,041	--	3,273*
Board of Pardons	3	11,949	--	183
Workmen's Compensation	2	27,249	--	506*
Division of Voc. Rehabilitation	1	14,620	--	--
Department of Natural Resources	5	16,776	--	--
Public Service Commission	1	8,189	--	835*
Department of Institutions	1	5,267	--	3,874
Department of Livestock	<u>--</u>	<u>--</u>	<u>--</u>	<u>6,150</u>
Total	<u>301</u>	<u>3,068,605</u>	<u>--</u>	<u>38,219</u>

* Mileage by agencies having access to vehicle classes driven prior to formation of the motor pool.

BOZEMAN DIVISION

<u>Vehicle Class</u>	<u>Assigned</u>		<u>Unassigned</u>	
	<u>Vehicles</u>	<u>Mileage</u>	<u>Vehicles</u>	<u>Mileage</u>
Passenger Cars	9	73,480	25	360,421
Station Wagons	3	62,406	5	59,010
Suburbans	18	125,354	7	48,699
Suburbans, 4W/D	2	7,904	2	7,265
Special	1	362	--	--
Pickups, ½-ton	23	129,456	18	101,468
Pickups, 3/4-ton	3	24,561	5	46,522
Pickups, 1-ton, Flatbed	1	47	--	--
Pickups, 3/4-ton, 6 passenger	1	2,415	--	--
Panel, ½-ton	4	55,553	1	2,373
Pickups, ½-ton, 4W/D	2	11,704	--	--
Trucks	<u>54</u>	<u>591,625</u>	<u>--</u>	<u>--</u>
Total	<u>121</u>	<u>1,084,867</u>	<u>63</u>	<u>625,758</u>
<u>User Agency</u>				
Montana State University	4	18,077	--	329,980*
Agricultural Experiment Station	22	99,839	--	51,734*
Department of Highways	90	934,803	--	105,229*
Department of Livestock	2	13,176	--	4,539*
Department of Natural Resources	1	254	--	2,205*
Board of Pardons	1	3,081	--	742
Cooperative Extension Service	1	15,637	--	115,003*
Entomologist	--	--	--	5,426*
Department of Fish and Game	--	--	--	5,863
Other	<u>--</u>	<u>--</u>	<u>--</u>	<u>5,037</u>
Total	<u>121</u>	<u>1,084,867</u>	<u>--</u>	<u>625,758</u>

* Mileage by agencies having access to vehicle classes driven prior to formation of the motor pool.

BILLINGS DIVISION

<u>Vehicle Class</u>	<u>Assigned</u>		<u>Unassigned</u>	
	<u>Vehicles</u>	<u>Mileage</u>	<u>Vehicles</u>	<u>Mileage</u>
Passenger Cars	32	328,619	11	95,697
Station Wagons	11	65,086	3	43,092
Station Wagons, 4W/D	1	3,578	--	--
Suburbans	34	258,322	7	53,478
Suburbans, 4W/D	1	11,567	--	--
Pickups, ½-ton	36	433,976	3	44,905
Pickups, 3/4-ton	3	34,030	--	--
Pickups, 1-ton, Flatbed	3	10,113	--	--
Panels, ½-ton	5	20,394	1	6,396
Trucks	<u>60</u>	<u>652,122</u>	<u>6</u>	<u>76,919</u>
Total	<u>186</u>	<u>1,817,807</u>	<u>31</u>	<u>320,487</u>
<u>User Agency</u>				
Eastern Montana College	15	72,241	--	35,269*
Agricultural Experiment Station	6	29,867	--	1,425*
School for the Deaf and Blind	1	9,385	--	1,165
Department of Health	1	267	--	17,268*
Department of Highways	150	1,576,021	--	254,030*
Department of Livestock	2	18,370	--	1,362*
Department of Natural Resources	1	13,833	--	5,318
Department of Revenue	1	16,214	--	114*
Liquor Control Division	1	4,321	--	--
Department of Institutions	2	3,885	--	--
Board of Pardons	2	5,007	--	304
Montana Drug Center	1	7,264	--	--
Workmen's Compensation	1	18,835	--	9*
Public Service Commission	1	22,405	--	--
State Auditor's Office	1	19,892	--	112*
Other	<u>--</u>	<u>--</u>	<u>--</u>	<u>4,111</u>
Total	<u>186</u>	<u>1,817,807</u>	<u>--</u>	<u>320,487</u>

* Mileage by agencies having access to vehicle classes driven prior to formation of the motor pool.

LEWISTOWN DIVISION

<u>Vehicle Class</u>	<u>Assigned</u>		<u>Unassigned</u>	
	<u>Vehicles</u>	<u>Mileage</u>	<u>Vehicles</u>	<u>Mileage</u>
Passenger Cars	4	42,411	1	21,842
Station Wagons	4	24,796	--	--
Suburbans	4	40,091	4	12,067
Special	1	--	--	--
Pickups, 1/2-ton	16	286,514	2	4,189
Pickups, 3/4-ton	1	260	--	--
Panels, 1/2-ton	2	13,049	--	--
Panels, 3/4-ton	1	987	--	--
Pickups, 1/2-ton, 4W/D	1	5,751	--	--
Pickups, 3/4-ton, 6 pass., 4W/D	2	10,388	1	5,291
Trucks	<u>50</u>	<u>687,103</u>	<u>1</u>	<u>--</u>
Total	<u>86</u>	<u>1,111,350</u>	<u>9</u>	<u>43,389</u>
<u>User Agency</u>				
Attorney General	1	11,654	--	--
Agricultural Experiment Station	3	2,109	--	3,723*
Department of Highways	76	1,053,754	--	38,957*
Department of Natural Resources	2	13,589	--	--
Center for the Aged	3	8,010	--	--
Workmen's Compensation	1	22,234	--	--
Department of State Lands	<u>--</u>	<u>--</u>	<u>--</u>	<u>709</u>
Total	<u>86</u>	<u>1,111,350</u>	<u>--</u>	<u>43,389</u>

* Mileage by agencies having access to vehicle classes driven prior to formation of the motor pool.

GREAT FALLS DIVISION

<u>Vehicle Class</u>	<u>Assigned</u>		<u>Unassigned</u>	
	<u>Vehicles</u>	<u>Mileage</u>	<u>Vehicles</u>	<u>Mileage</u>
Passenger Cars	13	141,690	11	195,861
Station Wagons	4	49,818	1	19,669
Suburbans	43	416,411	9	82,117
Special	2	2,622	--	--
Pickup, ½-ton	21	289,517	--	--
Pickups, 3/4-ton	1	11,502	--	--
Panels, ½-ton	1	11,691	--	--
Panels, 3/4-ton	3	29,981	--	--
Pickups, 3/4-ton, 6 pass., 4W/D	3	7,547	--	--
Trucks	<u>59</u>	<u>756,875</u>	<u>--</u>	<u>--</u>
Total	<u>150</u>	<u>1,717,654</u>	<u>21</u>	<u>297,647</u>
<u>User Agencies</u>				
Governor's Office	1	6,895	--	--
Public Service Commission	1	15,830	--	--
School for the Deaf and Blind	5	62,706	--	25,444
Department of Highways	135	1,564,915	--	232,054*
Department of Livestock	1	18,951	--	3,632*
Liquor Control Division	1	3,800	--	233
Department of Agriculture	1	5,214	--	262*
Department of Institutions	2	5,198	--	31
Board of Pardons	2	3,716	--	--
Workmen's Compensation	1	30,429	--	21,261*
Other	<u>--</u>	<u>--</u>	<u>--</u>	<u>14,730</u>
Total	<u>150</u>	<u>1,717,654</u>	<u>--</u>	<u>297,647</u>

* Mileage by agencies having access to vehicle classes driven prior to formation of motor pool.

HAVRE DIVISION

<u>Vehicle Class</u>	<u>Assigned</u>		<u>Unassigned</u>	
	<u>Vehicles</u>	<u>Mileage</u>	<u>Vehicles</u>	<u>Mileage</u>
Passenger Cars	11	122,286	1	20,757
Station Wagons	1	15,054	1	21,076
Suburban	22	217,623	--	--
Special	1	3,502	--	--
Pickups, 1/2-ton	22	275,645	--	--
Pickups, 3/4-ton	4	53,382	--	--
Pickups, 1-ton, Flatbed	1	2,279	--	--
Panels, 1/2-ton	1	10,383	--	--
Pickups, 3/4-ton, 6 pass., 4W/D	1	--	--	--
Pickups, 1-ton, Flatbed, 4W/D	1	1,262	--	--
Trucks	<u>48</u>	<u>361,346</u>	<u>--</u>	<u>--</u>
Total	<u>113</u>	<u>1,062,762</u>	<u>2</u>	<u>41,833</u>
<u>User Agency</u>				
Northern Montana College	5	76,698	--	21,076*
Agricultural Experiment Station	8	32,720	--	20,757*
Department of Highways	97	943,815	--	--
Liquor Control Division	1	4,035	--	--
Department of Institutions	1	2,699	--	--
Board of Pardons	<u>1</u>	<u>2,795</u>	<u>--</u>	<u>--</u>
Total	<u>113</u>	<u>1,062,762</u>	<u>--</u>	<u>41,833</u>

* Mileage by agencies having access to vehicle classes driven prior to formation of the motor pool.

WOLF POINT DIVISION

<u>Vehicle Class</u>	<u>Assigned</u>		<u>Unassigned</u>	
	<u>Vehicles</u>	<u>Mileage</u>	<u>Vehicles</u>	<u>Mileage</u>
Passenger Cars	6	111,889	--	--
Station Wagons	1	17,852	1	14,653
Suburbans	7	66,464	--	--
Special	2	3,695	--	--
Pickups, ½-ton	15	257,542	--	--
Pickups, Flatbed, 1-ton	1	87	--	--
Pickups, 3/4-ton, 6 passenger	3	43,629	--	--
Panels, ½-ton	2	14,807	--	--
Trucks	<u>32</u>	<u>417,038</u>	<u>--</u>	<u>--</u>
Total	<u>69</u>	<u>933,003</u>	<u>1</u>	<u>14,653</u>

User Agency

Department of Highways	67	924,094	--	11,984*
Liquor Control Division	1	4,270	--	--
Other	<u>1</u>	<u>4,639</u>	<u>--</u>	<u>2,669</u>
Total	<u>69</u>	<u>933,003</u>	<u>--</u>	<u>14,653</u>

* Mileage by agencies having access to vehicle classes driven prior to formation of the motor pool.

GLENDIVE DIVISION

<u>Vehicle Class</u>	<u>Assigned</u>		<u>Unassigned</u>	
	<u>Vehicles</u>	<u>Mileage</u>	<u>Vehicles</u>	<u>Mileage</u>
Passenger Cars	15	189,687	3	56,080
Station Wagons	13	154,583	--	--
Suburbans	10	98,340	--	--
Special	1	1,506	--	--
Pickup, 1/2-ton	24	310,254	1	10,185
Pickup, 3/4-ton	2	4,340	1	11,561
Pickup, 1-ton, Flatbed	1	567	--	--
Panel, 1/2-ton	1	1,475	2	8,720
Trucks	<u>34</u>	<u>376,126</u>	<u>--</u>	<u>--</u>
Total	<u>101</u>	<u>1,136,878</u>	<u>7</u>	<u>86,546</u>

User Agencies

Public Service Commission	1	21,005	--	--
Agricultural Experiment Station	5	9,029	--	286*
Cooperative Extension Service	2	30,940	--	1,698*
Department of Highways	86	1,037,537	--	83,922*
Department of Livestock	1	14,128	--	--
Liquor Control Division	1	3,880	--	--
Department of Institutions	1	5,121	--	--
Eastmont Training Center	3	11,513	--	--
Board of Pardons	1	3,725	--	--
Other	<u>--</u>	<u>--</u>	<u>--</u>	<u>640</u>
Total	<u>101</u>	<u>1,136,878</u>	<u>--</u>	<u>86,546</u>

* Mileage by agencies having access to vehicle classes driven prior to formation of the motor pool.

MILES CITY DIVISION

<u>Vehicle Class</u>	<u>Assigned</u>		<u>Unassigned</u>	
	<u>Vehicles</u>	<u>Mileage</u>	<u>Vehicles</u>	<u>Mileage</u>
Passenger Cars	5	69,179	1	31,641
Station Wagons	8	166,702	--	--
Suburbans	8	65,404	2	14,182
Pickup, 1/2-ton	22	203,666	1	9,267
Pickup, 3/4-ton	1	1,458	--	--
Pickup, 3/4-ton, 6 passenger	4	37,365	--	--
Panel, 1/2-ton	1	3,779	--	--
Pickup, 3/4-ton, 4WD	1	7,226	--	--
Trucks	<u>41</u>	<u>539,183</u>	<u>2</u>	<u>31,751</u>
Total	<u>91</u>	<u>1,093,962</u>	<u>6</u>	<u>86,841</u>
<u>User Agencies</u>				
University of Montana	1	4,800	--	--
Agricultural Experiment Station	2	22,907	--	--
Department of Highways	74	971,683	--	86,194*
Department of Agriculture	1	23,902	--	--
Pine Hills School	12	67,078	--	442*
Board of Pardons	1	3,592	--	--
Natural Resources	<u>--</u>	<u>--</u>	<u>--</u>	<u>205</u>
Total	<u>91</u>	<u>1,093,962</u>	<u>--</u>	<u>86,841</u>

* Mileage by agencies having access to vehicle classes driven prior to formation of the motor pool.

HELENA DIVISION⁽¹⁾

<u>Vehicle Class</u>	<u>Assigned</u>		<u>Unassigned</u>	
	<u>Vehicles</u>	<u>Mileage</u>	<u>Vehicles</u>	<u>Mileage</u>
Station Wagons, 4WD	3	54,524	3	35,571
Suburbans	19	107,489	8	83,075
Suburbans, 4WD	---	--	2	15,167
Special	4	32,260	--	--
Pickups, 1/2-ton	17	148,481	9	20,842
Pickups, 3/4-ton	5	32,784	--	--
Pickups, 1-ton, Flatbed	1	8,203	--	--
Pickups, 3/4-ton, 6 passenger	2	11,613	--	--
Panels, 1/2-ton	7	20,757	--	--
Panels, 3/4-1-ton	6	72,824	--	--
Pickups, 1/2-ton, 4WD	1	9,201	--	--
Pickups, 3/4-ton, 4WD	3	19,855	--	--
Pickups, 1-ton, 4WD	3	7,482	--	--
Trucks	<u>32</u>	<u>304,288</u>	<u>1</u>	<u>4,501</u>
Total	<u>103</u>	<u>829,761</u>	<u>23</u>	<u>159,156</u>
<u>User Agencies</u>				
Department of Highways	64	556,138	--	113,446*
Department of Natural Resources	11	54,164	--	18,579*
Liquor Control Division	1	2,787	--	687
Department of Health	2	20,180	--	3,384
Adjutant General	5	28,236	--	77
Workmen's Compensation Division	1	7,941	--	9,792
Mountain View School	1	4,193	--	143
Montana State Prison	1	40,509	--	--
Department of State Lands	--	--	--	5,786
Weights & Measures Division	9	80,619	--	--

Aeronautics Commission	3	26,519	--	181
Other	<u>5</u>	<u>8,475</u>	<u>--</u>	<u>7,081</u>
Total	<u>103</u>	<u>829,761</u>	<u>--</u>	<u>159,156</u>

(1) This listing does not include passenger cars or station wagons because they are not within area being considered for change.

* Mileage by agencies having access to vehicle classes driven prior to formation of the motor pool.

SCHEDULE OF RESPONSES TO QUESTIONNAIRES
 FROM STATES OPERATING A MOTOR POOL AND RESPONDING TO DATE

Question	Alaska	California	Idaho	Illinois	Minnesota	New Jersey	New Mexico	New York	Oregon	South Dakota	Virginia	Washington	Kansas	Michigan	Montana	Utah
1. Which state or department is responsible for the motor pool operation?	State	State	State	State	State	Treasury	Finance & Admin.	General Services	General Services	Administration	Highways	Highways	Administration	Administration	Administration	Finance
2. Are other state agencies operating a motor pool?	No	Yes	Yes	Yes	Yes	Yes	No	Yes	Yes	Yes	Yes	Yes	Yes	Yes	Yes	Yes
3. Are personnel assigned to motor pool vehicles made to operate or maintain?	Yes	Yes	Yes	Yes	Yes	Yes	No	Yes	Yes	Yes	Yes	Yes	Yes	Yes	Yes	Yes
4a. Cancellation not a criterion in all cases? Specific mileage was indicated as follows:	12,000 per year	12,000 per year	12,000 per year	12,000 per year	12,000 per year	12,000 per year	12,000 per year	12,000 per year	12,000 per year	12,000 per year	12,000 per year	12,000 per year	12,000 per year	12,000 per year	12,000 per year	12,000 per year
4b. What is the number of passenger cars operating from state motor pool?	448	1400	142	100	753	2500	144	400	974	124	2,500	555	1,500	400	1,250	—
5. What is approximate percentage of state passenger cars operated from the state motor pool?	99%	23%	14%	3%	50%	55%	6-17%	12%	31%	100%	100%	7%	50%	27%	17%	23%
6. Are vehicles other than passenger cars included in motor pool?	Yes	Yes (12)	No	Yes (1)	Yes (1)	Yes	No	No	Yes (1)	No	No	Yes (1)	Yes	No	Yes	Yes (1)
7. What is the rental rate charged for passenger cars in motor pool?	\$16 per mile	\$4.00 per mile or .45 per hr.	10/mile plus 1.50 per hr.	0.12 to 1.27 per hr.	Not indicated	\$0.35/mile plus 2.45 per day	\$1.00/mile (\$4.00 min.)	No charge	\$0.09/mile plus \$3.36 per day	\$0.04/mile plus \$4.35 per day	\$0.07/mile	\$0.04/mile plus \$4.35 per hour	\$0.08/mile	\$0.07/mile	\$0.07/mile	\$0.06/mile, \$3.50 per hr.
8. What is the cost per mile to operate passenger vehicles?	.14/mile	.08/mile	.09 to .14/mile	0.03 to .14/mile	Not indicated	\$0.092/mile	\$0.09/mile	\$0.09/mile	\$0.04/mile	\$0.035/mile	\$0.07/mile	\$0.03/mile	\$0.04/mile	\$0.04/mile	\$0.03/mile	\$0.03/mile
9. Does the cost per mile include charges for oil, grease, gasoline, water, direct labor, overhead?	Yes	Yes	Yes	Yes-except overhead	Not indicated	Yes	Yes	Yes	Yes	Not indicated	Yes	Yes	Yes	Yes	Yes	Yes
10. Does the cost per mile include administration?	Yes	Yes	Yes	Yes	Not indicated	Yes	No	Yes	Yes	Not indicated	Yes	Yes	Yes	Yes	Yes	No
11. Does the cost per mile include insurance premium?	Yes	Yes	Yes	Yes	Not indicated	No	Yes	Yes	Yes	Not indicated	Yes	Yes	Yes	Yes	Yes	No
12. Does the cost per mile include factors for vehicle replacement?	Yes	Yes	Yes	Yes	Not indicated	Yes	Yes	Yes	Yes	Not indicated	Yes	No	Yes	Yes	Yes	Yes
13. How was motor pool originally financed?	Appropriation and existing vehicles	Donated vehicles	Appropriation	Transfer of vehicles	Appropriation and transfer of vehicles	Appropriation and transfer of vehicles	Purchased vehicles from other agencies	Appropriation	Appropriation	Not indicated	Cash	Transfer of vehicles	General Fund	\$350,000	General Fund	Vehicle Transfer
14. What criteria is used to retire vehicles?	10,000 miles and/or 5 years	100,000 miles	100,000 miles or 10 years	75,000 miles	40,000 miles	40,000 miles or 5 years	90,000 miles and 3 years	75,000 miles or 10 months	10,000 miles and 3 years	20,000 miles or 3 years	20,000 miles or 3 years	20,000 miles or 3 years	20,000 miles or 3 years	20,000 miles or 3 years	20,000 miles or 3 years	20,000 miles or 3 years
15. Is motor pool responsible for vehicle replacement?	Yes	Yes	Yes	Yes	Yes	Yes	Yes	Yes	Yes	Yes	Yes	Yes	Yes	Yes	Yes	Yes
16. Where does motor pool vehicle replacement fund?	Motor Pool	Motor Pool	Motor Pool	Motor Pool	Motor Pool	Motor Pool	Motor Pool	Motor Pool	Motor Pool	Motor Pool	Motor Pool	Motor Pool	Motor Pool	Motor Pool	Motor Pool	Motor Pool
17. Where are employees required to purchase vehicles?	Where are employees required to purchase vehicles?	Where are employees required to purchase vehicles?	Where are employees required to purchase vehicles?	Where are employees required to purchase vehicles?	Where are employees required to purchase vehicles?	Where are employees required to purchase vehicles?	Where are employees required to purchase vehicles?	Where are employees required to purchase vehicles?	Where are employees required to purchase vehicles?	Where are employees required to purchase vehicles?	Where are employees required to purchase vehicles?	Where are employees required to purchase vehicles?	Where are employees required to purchase vehicles?	Where are employees required to purchase vehicles?	Where are employees required to purchase vehicles?	Where are employees required to purchase vehicles?
18. Are state employees required to use motor pool vehicles?	Yes	Yes	Yes	Yes	Yes	Yes	Yes	Yes	Yes	Yes	Yes	Yes	Yes	Yes	Yes	Yes
19. What is state's reimbursement rate for use of personal cars on state business when motor pool car not available?	\$1.12/mile	\$1.12/mile	\$1.12/mile	\$1.12/mile	\$1.12/mile	\$1.12/mile	\$1.12/mile	\$1.12/mile	\$1.12/mile	\$1.12/mile	\$1.12/mile	\$1.12/mile	\$1.12/mile	\$1.12/mile	\$1.12/mile	\$1.12/mile
20. Same - If motor pool car is available?	Not indicated	Not indicated	Not indicated	Not indicated	Not indicated	Not indicated	Not indicated	Not indicated	Not indicated	Not indicated	Not indicated	Not indicated	Not indicated	Not indicated	Not indicated	Not indicated
21. Does the state have an advisory committee or other formal method for user input?	Yes	Yes	Yes	Yes	Yes	Yes	Yes	Yes	Yes	Yes	Yes	Yes	Yes	Yes	Yes	Yes
22. What is the average time elapsed from date the vehicle was used to the date of billing?	45-60 days	13-30 days	30 days	Within 30 days following end of month	Monthly	30 days	10 days following end of month	No billing	30 days	13-30 days	30 days	30 days	30 days	30 days	30 days	30 days

(1) Figures for vehicles shown on left, more other than passenger cars were multi-agency use type vehicles.

TABULATION OF RESPONSES
TO QUESTIONNAIRE CIRCULATED
AMONG MONTANA STATE AGENCIES

APPENDIX VI

<u>Items</u>	<u>Response</u>	
	<u>Yes</u>	<u>No</u>
1. Does the fact that your agency pays more per mile for motor pool car rental than for employee use of his personal car affect your agency's policy toward use of motor pool cars?	17	14
Comments generally related to budgetary problems, cost-consciousness, or good business practice dictate use of the lower cost vehicle.		
2. Do you believe your agency could operate vehicles for use of your employees more economically than does the Highway Department?	18	9
Comments generally came from agencies who had operated cars previously and they felt they had operated their vehicles at less cost than the motor pool.		
3. Is your agency adversely affected by the delayed billings for use of motor pool cars?	19	11
Agency problems related to problems in setting month-to-month budgets and being able to include travel expenditures in the proper fiscal year.		
4. Does the required use of highway department shops for obtaining fuel and servicing of motor pool cars hinder the performance of your employees?	19	11
Comments relate to added mileage incurred and corresponding employee time and inconvenience. Some agencies question the economy of required service at motor pool service points.		
5. Do you believe a need exists for a more explicit definition by the Department of Highways of what "state business" means for better employee understanding and agency control over pool car usage?	4	26
A few agencies believe it is still not clear what use of a state vehicle constitutes "state business" such as evening use of the vehicle while away from home on state business.		

<u>Item</u>	<u>Responses</u>	
	<u>Yes</u>	<u>No</u>
6. Do you believe that radios and air conditioners are unnecessary accessories in state vehicles?	7	21
Most comments included radios as a necessary safety feature and an air conditioner had only an element of necessity in summer months on longer drives, but otherwise was nice.		
7. Does the time involved in pickup and delivery of motor pool cars involve a significant loss in employee productive time?	13	18
Comments indicated this involved added mileage and about one hour loss of productive time each time a pool vehicle not permanently assigned is used.		
8. Does your agency have a need for 24-hour service at motor pool dispatch stations?	8	21
"Yes" comments involved agencies which in the normal course of business do work outside the 8-5 day.		
9. Are you aware of any uneconomical use of permanently assigned motor pool cars?	1	28
No comments.		
Some additional problems were indicated by further agency comments summarized as follows:		

1. Motor pool vehicles operating with over 100,000 miles.
2. In winter, employees prefer their own car because they are familiar with it and the motor pool cars do not have studded snow tires.
3. Agencies having maintenance facilities for cars irrespective of whether cars are transferred to the motor pool, increase their car costs when required to pay the motor pool rental charge.
4. Reimbursement revenue would be lost from federal sources by entering into motor pool operations.

AGENCY REPLY



STATE OF MONTANA
DEPARTMENT OF HIGHWAYS

July 3, 1973

10:H]A

Mr. Morris Brusett
Legislative Auditor
State of Montana
State Capitol
Helena, Montana 59601

Re: Motor Pool Audit Report

Gentlemen:

I recommend a State-wide Motor Pool, one that is complete, and one that is operated by a State agency with operating, or line, experience, rather than an agency with staff experience.

A State-wide Motor Pool can work to the benefit of the taxpayers of Montana under the proper conditions, namely:

1. Full cooperation between the Motor Pool and user agencies, their directors and employees; this of necessity requiring cooperation from the Department of Highways, its Commission, Director and employees.
2. Adequate financing and authority; this requiring cooperation of the Legislative and the Executive branch.
3. Adequate management; this being the responsibility of the Department of Highways.

To date maximum results have not been attained in any of the three categories set forth above. There has been progress in all the areas, and within approximately two years, it would be possible to have a Motor Pool satisfying the needs of the user agencies at the lowest possible cost to the taxpayers of Montana.

A brief history of the Pool is in order at this time.

EDRGE - J. L. D. L. H. C. H. A. R. V. A. N.

W. 1.0 x 5.5 ft. 1000 x 2000

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Q-H\ 1-1-1 2-2-2

Mr. Morris Brusett
July 3, 1973
Page 2

The Motor Pool, in its present form, began operation on July 1, 1971. In an opinion dated May 22, 1972, the Attorney General's office raised legal questions which prompted some State agencies to refuse payment of Motor Pool charges.

In October of 1972, the Department of Highways filed suit against the Department of Agriculture for the purpose of settling the legal questions involved. On April 10, 1973, a court decision was rendered in favor of the Department of Highways.

Because of its uncertain status, the operation of the Motor Pool, during the period from the issuance of the Attorney General's opinion and the Court decision (May 22, 1972 to April 10, 1973), was continued under very adverse circumstances. The 1973 Legislative Session did not produce any changes in the Motor Pool law, which made the position of the Pool highly untenable. The settlement of the lawsuit has created a better operating climate.

With regard to the audit report, I note that the report does not include any comments about the obstacles placed in the way of a satisfactory Pool operation by some of the user agencies.

These obstacles range from outright defiance of the legislative intent by refusing to use Pool vehicles, or to cooperate with the Pool, to such items as allowing the cars to be defaced and subjected to careless usage. Some Highway employees were subjected to verbal abuse, and some of the demands by employees of user agencies bordered on the ridiculous.

The report does not carefully spell out the fact that the 1973 Legislative Session did not produce any changes in the law, and at least one of the reasons for this was that one administrator made the statement at a public hearing that he could own and operate passenger cars for \$0.05 a mile. As I stated during the session, if this gentleman were made administrator of the Motor Pool, Hertz would be No. 2.

With regard to the Audit Report, the general statement that the Motor Pool costs "are unnecessarily high" should carry with it an additional phrase, ie., "under ordinary, or normal, conditions," and the Motor Pool has not been able to operate under normal conditions.

Many of the specific instances mentioned in the report are no doubt factual and will be valuable to the Motor Pool and Department of Highways, not only for the purpose of correcting these specific instances, but in the overall program. However, a few specific instances cannot be used to rate the entire program.

Mr. Morris Brusett

July 3, 1973

Page 3

As my overall recommendation is for a total State-wide Motor Pool, I am not going to discuss some of the Auditor's recommendations for elimination of the Pool and the creating of a mini-pool at Helena only.

I made the following recommendations in a letter dated May 17, 1973 to the Legislative Transportation Committee; these statements concerning some of the areas in which changes were recommended by the auditor also.

1. Two rates - a mileage rate for operating expenses and a time rate for fixed costs such as depreciation.
2. A minimum charge for permanently assigned vehicles, or, as an alternative, the permanent assignment of vehicles to only those agencies or individuals who would operate the vehicles a specified number of miles.
3. The use of sub-pools at certain locations.
4. The use of outside repair and service shops for certain work.
5. The promotion of better relations between the Department of Highways and the user agencies; this area of necessity being a two-way street.
6. The study of the current legislation governing the Pool with the idea of corrective legislation if necessary.

The Auditor has correctly raised questions concerning some other problem areas in which changes should be made, and which we will study and change:

1. Reduce servicing and washing where excessive - this has already been started.
2. Reduce paper work - we have already started this program with reduction in the use of Form 901.
3. Low utilization - this is covered in the remarks to the Legislative Transportation Committee above.
4. Institute a program with the user agencies to correct car abuse.

Mr. Morris Brusett

July 3, 1973

Page 4

5. Reduce the overhead charge - this has already been done but a further cut may have to be made; the Department of Highways does not want a windfall profit from the Pool. In fact, if there has been a windfall profit, the Department will return it to the Motor Pool.

I must refute one statement made in the report, which although possibly factual in specific instances, cannot be considered factual in the overall picture. This is the statement that it takes twice as much time to repair vehicles in the Highway Maintenance shop as it does in downtown shops, inferring that the entire Highway shop operation is inefficient.

I respectfully point out that the Highway shops are not designed to repair only passenger cars, but are general purpose shops. Mechanics and servicemen are not timekeepers, and there is no question that small jobs have been lumped with major repairs. I believe that the overall repair setup of the Department is satisfactory when you consider the following:

The Maintenance Division has 1954 pieces of equipment, which range from motor patrols, loaders, tractor mowers to accessory equipment such as snow plows and sanders which attach to Motor Pool vehicles. The Motor Pool has 1322 pickups and automotive vehicles and 628 trucks. This is a total of 3904 items of equipment. Much of the maintenance equipment is spread over 8000 miles of road divided into 137 sections of approximately 59 miles per section, and between 11 division headquarters and Helena headquarters. The operations cover the entire geographical area of Montana.

At this date 72 mechanics and 58 servicemen handle the majority of this equipment.

The above statistics speak for themselves.

I agree with the Auditor that more repair work, such as motors, transmissions, etc. be performed in the so-called downtown shops if this will reduce costs.

I am enclosing some comments from Mr. William Blake, Administrator of the Motor Pool. Mr. Blake's comments are keyed to the page number of the discussion draft. Mr. Blake has been Administrator of the Pool only since May 3, and he has indicated that more study is needed on his recommendations. The Highway Commissioners are, I believe, writing comments independent of mine.

INTER-DEPARTMENTAL MEMORANDUM

MONTANA STATE HIGHWAY COMMISSION

To H. J. Anderson, Director of Highways
From William A. Blake, Administrator
Motor Pool Division

Date June 12, 1973

Subject: Legislative Audit Report

Attached is a report of my ideas and thoughts on the rough draft of an audit which was made by G. Dean Reed, Deputy Legislative Auditor. This Exit Conference was carried on in the Commission Room of the Highway Building on June 11, 1973.

WAB:gdw

Attachment


Avoid Verbal Instructions

SUMMARY OF FINDINGS AND RECOMMENDATIONS

2 6
Page 2 to Page 4

The following comments are not to be taken as adverse comments, but merely my interpretation of what we are shooting at in so far as the State Motor Pool is concerned. We will go through the five reasons in paragraph 1 on page 2 as to why there is dissatisfaction among the user agencies of this present State Motor Pool.

(1). I do not believe that it is fair to disassociate the Helena Motor Pool with ten or eleven outside headquarters. I believe that these headquarters are just as much a part of the state government as the particular Helena headquarters. In the present State Motor Pool there are 1,950 vehicles, and in Helena there are only 233 vehicles. We are talking about a little over 10 or 12 per cent of the present pool being saved and the rest of the vehicles being dropped. I feel that this is a disservice to the taxpayers of Montana to drop these other 1,717 vehicles.

(2). It is my feeling that the Motor Pool is a service organization and we should make these vehicles readily available. With a change in our present rate structure wherein we drop the mileage and go to a split rate where a charge is made per month to cover the fixed costs and then a smaller amount of money is charged per mile to take care of the actual costs, I feel that we would have a better relationship out of this as far as the user agencies are concerned.

(3). I think they have a very good point and we should check it out in our Department of Highways Maintenance Headquarters, being sure that we are not running into an excessive and inefficient repair proposition. It is my understanding that the survey made by the Auditors generally covered the 00 or passenger car series. I do not believe at this time that this is true when we are discussing, for instance, our 19 series. I feel that we have a better operation than that.

(4) The continued use of older equipment. I have no comment on this other than to say that we cannot be responsible for this and no matter who ran the Motor Pool, this would be in effect. I do feel we are working our way out of it at this time.

(5). The operation of Motor Pool by the Department of Highways as a parent agency. I feel that we are working this out. That we have a sufficient change of attitude coming on so that the Department of Highways, being a parent agency, would not be a detriment to the State Motor Pool.

3
Page 4, paragraph 2. As far as excessive maintenance is concerned, the present administration is looking into this and we are in the process of extending our service period from 1,000 to somewhere in the neighborhood of 2,000 to 3,000 miles, with lube jobs on the heavier equipment probably at 1,000. On our over-the-road equipment, servicing periods will be stretched out and fewer servicing charges will be made against the equipment.

4
Page 2, paragraph 2. I do not feel that because the Department of Highways is involved in construction that it does a lesser or poorer job on maintenance or on preconstruction, and by the same token I do feel that the Department, directed by the Commission and the Director, can do as good a job as any other organization as far as administrating a State Motor Pool.

4
Page 2, paragraph 3. There are five reasons given here of procedures that would decrease the cost of operating a motor pool, and the present administration of the Motor Pool is looking into all of these. They will be treated later in this report.

5
Page 4, paragraph 1. My answer to this whole paragraph is that I do not like the concept of just a Helena Motor Pool. If we are going to do this and reduce the vehicles involved to this extent, I feel that we might just as well shelve the whole motor pool in concept and do away with it entirely. At the present we have in the Pool 1,950 some vehicles. This paragraph would use just the passenger cars, station wagons, and a limited number of 1/2-ton pickups located within walking distance of state offices in the Capitol Complex. Using the figures that we have in the present Pool, this only encompasses 139 passenger cars, 28 station wagons, 19 pickups, for a total of 186 units. I do not feel that 186 units out of the present 1,950 is a very good percentage to be discussing. My reaction to the idea of spending over \$100,000.00 to place this number of vehicles within walking distance of the Capitol Complex will be handled later in this report. The report refers to the deletion of all vehicles in the broad classification of single-time agency-type use, and along these lines the present administration of the Pool is studying and plans on going before the Commission and recommending the elimination of the following vehicles: 44 vehicles in the 24 Class, 2 in the 25 Class, 14 in the 30 Class, 5 in the 31 Class, 1 in the 32 Class, and 1 in the 33 Class. The total of these vehicles being removed is 67. The present administration of the Motor Pool feels that these are very much a special use vehicle and used by the Department of Highways only. They are special use in that they are used by the Department for snow removal and snow removal only.

3 5
We are going to the second half of paragraph 2, page 4. The recommendation of rental rate being between fixed and variable charges, or encompassing both of these charges. The present administration of the Motor Pool is considering this very strongly and has gone before the Department of Highways Accounting Department and its Data Processing Section and is studying a program to be set up that will achieve this, with a fixed rate to meet fixed charges on a monthly basis and a variable mileage rate or a mileage rate in addition to take care of additional mileage. This is being studied at this time and with the blessings of the Commission it will probably be instituted. Our target date for this is tentatively January 1, 1974.

COMMENTS IN GENERAL

7 11
Page 5 through Page 2

7
The last two sentences on page 2, the new legislation required, the keeping of mileage records, vehicle expenses and other records by the State Highway Commission. I feel that this part of the Motor Pool Act has been very well taken care of, and I feel we have a very good set of records and are documenting our work in a very good manner.

10

I would like to comment on the last paragraph on page 4. This whole situation as discussed in this paragraph has made the operation of the Motor Pool very haphazard and we have been out in limbo the whole time here a year taking care of this situation.

11

On page 4, paragraph 1, they speak of only two classes -- passenger cars and station wagons -- that can be used in a multi-agency use. In my short trips around the state, I feel that they are overlooking the Class 02, our four-wheel drive Blazers, Broncos, Scouts, etc. These are used by a number of agencies. We have only 19 of them in the Pool at this time, but they are a specialized vehicle and are being used by many agencies. The Class 03, the suburbans, are used by the universities and the Department of Highways. Our Class 07, pickups, are likewise used by any number of agencies. I have also found limited use by other agencies of the Class 19, dump trucks. While there is not a lot of other agency use beside the Department of Highways, this particular class represents a big investment for the user agency and with the small mileage that they do have on them it is very expensive for the agency to run these vehicles under a small mileage program. The Pool can help by dropping large mileage vehicles in on these user agencies with only two or three years of age on them and then running them out for a couple of years, and in turn replacing them before they reach the point where they cannot be repaired due to obsolescence.

11

Referring to the last paragraph on page 4, which involves the schedule that is illustrated on page 10, it is noted that out of the 1,951 vehicles in the Motor Pool as of the date it was prepared, 153 vehicles were actually Pool cars. This represents only 8 per cent of the total Pool.

The next statement I am going to make is strictly "off the top of my head". I have no verification of this in figures except in my memory. During the month of May I visited the Inter-Agency Government Motor Pool here in Helena. They have something like 665 vehicles of various types included in this pool. At that time there were only 60, or about 10 per cent, of these vehicles that were actually not assigned, so I do not feel that the State Motor Pool as it is now is too far off in this figure and I do think that we can raise the figure of non-assigned vehicles by merely doing a little straightening out in our own records area. For instance, in Missoula we have nine Right-of-Way people and for a matter of record so that we don't have to keep changing the records all the time, we have assigned nine vehicles to these people. However, through verbal agreement these vehicles are let out and used as a Pool car any time that some agency comes and wants them. They are available on a dispatch basis, in fact on a daily basis, to anybody who needs them. They are used as reserve and are used quite extensively by other agencies. I would guess that Right-of-Way use of these vehicles is probably 50 to 60 per cent of the time, and the rest of the time they are assigned on a dispatch basis. Also in Missoula these vehicles go out on weekends when the ~~Missoula~~ *R/W Dept.* doesn't use them. This is probably due to the proximity of the State University and the field trips that they run over the weekend.

13

Page 11, paragraph 2, refers to the amount of paper work involved in reporting the mileage on vehicles for the Motor Pool. At this time the present administration is studying a program whereby we can have this daily billing on a dispatched vehicle done on an I.B.M. card, and we hope to have it run through the computer on this card. Also at this time we are working on just one 901 or one card for one

billing per month on vehicles that are permanently assigned. We feel that we are going to cut down the paper work quite extensively. It is felt that this will be done and be in use in the next two or three months.

MOTOR POOL LOCATION

¹⁸ ^{middle} ¹⁹
Page ~~17~~ and running to ~~top~~ of Page ~~18~~

I have no comment.

MOTOR POOL OPERATION OUTSIDE THE CAPITOL

¹⁹ ²⁴
Page ~~18~~ and running ~~midway~~ through Page ~~23~~

²⁰
The second paragraph on page ~~18~~ refers to the inconvenience of Pools and especially the State Motor Pool at Missoula. The University at Missoula is six miles away from the Department Pool and the present administration of the Motor Pool is considering establishment of a sub-pool at the University. We already have those at the Department of Natural Resources and the State Forester at Missoula. With the establishment of the sub-pool at the University, we are going to cut down the inconvenience as far as the heavy users are concerned. This will be taken care of in the near future. It does not mean that we will put unassigned vehicles out there, however.

^{third} ²⁰
The ~~second~~ paragraph on page ~~19~~ points out there is actually not too much saving realized by the user agency in the use of Department gasoline at \$.22 a gallon. I feel that we do gain a great deal by using the inexpensive gas for our units that are headquartered at these particular Motor Pool headquarters outside of Helena. However, I question there is much saving made by user agencies that have to run to these pool headquarters to get this inexpensive gas. A study should be made and we will probably discover that not too much saving is made over a credit card gasoline. They have a good point in this paragraph.

^{on} ²³
In the schedule ~~at the top of~~ page ~~22~~, the allocation of 12 Highway maintenance centers, overhead costs are shown as \$ ~~1,000~~ 235. I feel this is excessive. If we can reduce it, this would bring down the cost to the user agency. However, with the increased cost of energy, I wonder if we are going to effect too much of a cut back in actual costs from this time forward.

²⁴
Covering the recommendations on page ~~23~~, No. 1, recommendation, motor pools outside of Helena be discontinued, I feel that with the small percentage of the total present Motor Pool units being considered that it is just not fair to the taxpayers of Montana to utterly disregard everything outside of the Helena headquarter Motor Pool.

I have no comment on recommendation No. 2.

HELENA MOTOR POOL

²⁴ ²⁸
Page ~~24~~ through Page ~~27~~

^{first} ²⁶
The ~~second~~ paragraph on page ~~24~~ refers to the poor location of the present State Motor Pool headquarters in Helena. While this is a problem, I believe it is

being exaggerated to some extent. In noting the crowded parking lots around the Capitol Complex, I feel that there are not many state employees walking to work. I don't think it would be too inconvenient for an employee of a user agency to drive his vehicle to the Motor Pool out at the Fairgrounds, a distance of some 4-1/2 miles, and leave his unit there for the duration of his use of a Motor Pool car. There is space provided at the Motor Pool headquarters presently for the parking of private cars and they are under security. I feel that there should be an effort on the part of the user agencies to get their people to the present Pool headquarters at the employee's own expense.

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Moving on to the recommendations on page 27, recommendation No. 1. I have no comment on this.

Recommendation No. 2. I have no comment on this other than to say that we do have a site here in Helena and if it is too inconvenient, then we should go for a more convenient site.

Recommendation No. 3. The present administration is considering the economics of using commercial sources for some of our repair work.

Recommendation No. 4. The present administration does not feel that every car should be equipped with a credit card. However, cars that are out on trips that take them to points which are not convenient to outlying Motor Pool headquarters are now being issued credit cards to use at commercial facilities. This is my understanding of how we are handling this situation at this time.

Recommendation No. 5. I have no comment on this except to say that it is a good idea and can be used in conjunction with the present Motor Pool under the conditions we now have. When we run out of vehicles, which we do, for use by user agencies, then we should be able to substitute a more economical means of transportation than is available to the user agencies under the present situation and this would make use of a state-wide contract for rental of passenger cars or other equipment.

UTILIZATION OF VEHICLES

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Page 29 through Page 33

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Referring to the chart at the top of page 29 and also the first paragraph under that chart. South Dakota is running cars at 31,000 miles and we are running them at 17,000. Referring to the rental charge shown on South Dakota, they would run these cars at somewhere around the cost of \$.10 a mile at 17,000 miles so I do not think we are too far off actually in our rental rate. By trimming our overhead somewhat, I feel that we can get down to this, even on the ~~South~~ ^{South} Dakota chart. I do not feel that we are going to ever reach the 31,000 or the 30,000 miles as South Dakota and New Mexico are enjoying. The Auditors report that the State Motor Pool in Montana is running around 17,000 miles for passenger car. In Montana on Class 00 vehicles we are averaging 1,400 miles a month on 397 units. On Class 01 vehicles we are averaging 1,250 miles a month on 133 units. On Class 03 vehicles we are averaging 780 miles a month on 269 units, and on Class 07 vehicles we are averaging 1,000 miles per month on 328 units. Also, 1,200 miles a month on Class 19 units, of which we have 352. You will note that Class 03 vehicles, which are made up of suburbans and used highly by the Construction Department of the Department of Highways, is a low mileage and we feel that it

is due to a cut back in construction money. The Motor Pool is presently studying methods to get the over-all mileage on these units up, but I do not believe we will ever reach the 30,000 miles per year that New Mexico and South Dakota enjoy

On the second paragraph of this same page, it is noted that after the Motor Pool was formed, the quantity of equipment increased. The reason for this increase was that we inherited many large mileage vehicles. We did not let go of them in order to create a backlog of spares to hold the fleet together until such time as we could replace these with new vehicles. This year we are buying more vehicles and it is our desire at the present time to cut the fleet of 1,951 vehicles by some 100 units. I hope that we can do this. It will be in that neighborhood.

The Auditors' report, beginning on the third paragraph of page ³⁰ 29 through ^{most} all of page ²⁰ 21, deals with the permanent assignment of units back to the user agency. It is felt by this present administration that with the creation of sub-pools at various user agency headquarters, that is the State University in Bozeman or the University at Missoula, and changing the structure of our rental rates to cover a monthly payment for our fixed costs, plus a smaller mileage rate, will encourage these user agencies to, in themselves, spread the use of the units in their control and result in a lower cost to themselves, thereby reflecting a lowering of the cost back to the State Motor Pool. During the past week I visited with Jim Gordon of the University of Montana at Missoula. He assured me that if we assigned a number of vehicles to the University in a sub-pool operation under the condition of a two-rate charge, they would very definitely see to it that the units were used, so that the University could enjoy the result of a lower mileage cost.

³ Paragraph 2, page 31. The amount of 4,300,000 miles that state agencies paid for personal car mileage is, I believe, quite large, and it is my feeling that some of this mileage was probably for private use and charged to the state. This is strictly a personal feeling and I have no way of proving it. This whole paragraph I think is very good and can be worked out under the present Motor Pool system. There is no question that the examples given here are going on and I think there are many others where personal car mileage has paid for the good mileage and Motor Pool cars are used on tougher miles.

³³ Starting with the recommendations on the bottom of page 32, I heartily agree with Recommendation No. 1 and wish to note that we are making a study of this method in order to stop penalizing the high mileage users of our pool cars, as is going on under the present system, with the hope of implementing some kind of a change probably around January 1, 1974.

Recommendation No. 2 is good. ^{combined}

On page 33, Recommendations 3 and 4 are both good. However, I do feel that if user agencies are forced into strictly Motor Pool cars, the Motor Pool would be very handicapped for a while. If this comes about, I want it clearly understood that the present administration of the Motor Pool does not feel that we can keep up with the increase in business for some time, because in my dealings with the University of Montana at Missoula, they tell us that we are only getting somewhere in the neighborhood of 25 per cent of their business as far as transportation is concerned and I certainly wish to point out that we are not geared to pick up 300 per cent increase, or even 100 per cent increase at this time. I do think Recommendations 3 and 4 are good.

MAINTENANCE OF VEHICLES

Page 34 through Page 36

Page 34, paragraph 3, servicing. We are making studies at this time to determine how much we should increase this 1,000 mile servicing requirement. We feel that it will run somewhere between 2,000 to 3,000 miles, depending on the use of the vehicle. Over-the-road vehicles with high mileage will probably be run out around 3,000 before they are maintained and other vehicles will be lubed at 1,000 and then oil change at 2,000 (probably our 19 series).

As far as the excessive washing of vehicles, the present administration feels that this could be cut down quite a little. However, in the Helena Pool, if we do have personnel available the cars should be kept clean. I feel that a clean car is an inexpensive car to run. The user takes better care of it if it is clean and so I do feel that this cleaning of cars is important.

Page 35. In the second paragraph regarding mechanical servicing by the Department of Highways Shops, I have no comment on this. I realize that this survey was made just on passenger car vehicles, or primarily our lighter vehicles and not on our big trucks. It is something that we should look into and be sure that this is brought down.

On page 36, there are three recommendations being made and I agree heartily with all of them. I would like to note that we are revising our standards under No. 1. No. 2 we are also taking a long look at and the Maintenance Department is making a study of mechanical costs.

The sections covering driver negligence and vehicle abuse starting on page 37 and going through 38, including the recommendation, are very good.

Financing for replacement vehicles, the section that starts on page 39 and progresses and is finished on page 42, I have no comment.

On the administration of the Motor Pool, which starts on page 43 and runs through page 44, the present administration of the Motor Pool feels that this high overhead of \$.0235/mile is probably excessive. It will be looked into. We do not want the Department of Highways to realize a profit off of the operation of the Motor Pool. However, again I do not feel that because the Department of Highways is primarily geared for construction and maintenance of highways that it makes it a poor administrator of any other mission.

On the recommendation on page 44, I have no comment.

Referring to the items that are mentioned on the tabulation on page 50, with No. 1 regarding paying more for Motor Pool cars than they do private, I do not believe this will have any bearing after July 1, when the present private car mileage cost goes up to \$.12.

I have no comment on No. 2, which refers to the cost of doing business with other departments.

On Item 3, it is my understanding with John Prebil that this billing is going to be speeded up considerably. In fact, I think he is talking about the 15th of the following month and if we can institute a new way of handling the reporting of mileages I think we can speed that up.

I have no comment on Item 4.

No comment on No. 5. I do not, however, believe that state business would consist of fishing or running around night spots.

On page 51, Item 6, I have no comment.

On Item 7, I am probably wrong but I do feel that the user agency has some responsibility to get to the Motor Pool and pick up their vehicle and I believe that this can be worked through employees. However, I was surprised to note that 13 of these said that they did not like the present setup and 18 said it did not involve subsequent loss of time.

No comment on No. 8. However, I do feel that in some of our, other than Helena, headquarters we can cut back some of the services on a 24-hour basis and yet in others I think we should raise to give better service.

Response to No. 9. No comment.

The additional comments on the bottom of page 51. On No. 1, I have no comment. We are trying to lower the mileage on this but it is going to take two or three years.

On No. 2, with the studded tires, I believe there will be a relaxing of this policy.

No comment on No. 3.

No comment on No. 4.

